



The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 14-140-A

April 13, 2015

Investigation by the Department of Public Utilities on its own Motion into Initiatives to Improve the Retail Electric Competitive Supply Market.

ORDER ON ELIMINATING THE BASIC SERVICE BILL RECALULATION PROVISION

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I. INTRODUCTION

On December 11, 2014, the Department of Public Utilities (“Department”) opened an investigation into initiatives to improve the retail electric competitive supply market.

Investigation by the Department of Public Utilities on its own Motion into Initiatives to Improve the Retail Electric Competitive Supply Market, D.P.U. 14-140 (2014). The Department proposed the following five initiatives to enhance the value of the retail electric competitive supply market for residential and small commercial and industrial (“C&I”) customers:

(1) developing a “shopping for competitive supply” website; (2) revising the existing information disclosure label; (3) eliminating the basic service bill recalculation provision for residential and small C&I customers; (4) establishing reporting requirements for door-to-door marketing; and (5) establishing reporting requirements and rules for the assignment of customers to another competitive supplier. D.P.U. 14-140, at 1. These initiatives are intended to: (1) provide customers with information regarding competitive supply products that is accurate, transparent, and understandable; and (2) improve customer protections related to the marketing and delivery of competitive suppliers’ product offerings. D.P.U. 14-140, at 1.

In this Order, the Department addresses the proposed elimination of the basic service bill recalculation provision for residential and small C&I customers. Initial comments on this issue were submitted on January 7, 2015, by the Attorney General of the Commonwealth of Massachusetts (“Attorney General”);¹ the Cape Light Compact (“Compact”);² Choice Energy,

¹ On December 15, 2014, the Attorney General filed a notice of intervention pursuant to G.L. c. 12, § 11E(a). The Department notes that this proceeding is not an adjudicatory proceeding pursuant to G.L. c. 30A and, accordingly, did not request petitions to intervene. Those entities participating are interested persons and not intervenors.

LLC (“Choice Energy”); Direct Energy Services, LLC (“Direct Energy”); National Consumer Law Center (“NCLC”); Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid (“National Grid”); National Energy Marketers Association (“NEM”);³ NSTAR Electric Company and Western Massachusetts Electric Company, together Eversource;⁴ Retail Energy Supply Association (“RESA”);⁵ and Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”). Additionally, on March 19, 2015, joint comments were submitted by Massachusetts State Senators Humason, Welch, and Lesser, and State Representatives Scibak, Pignatelli, Petrolati, Boldyga, Velis, and Tosado (“Senators and Representatives”). The Department addressed the bill recalculation comments in a February 4, 2015 technical session. The Department requested that reply comments on this issue be filed by March 6, 2015.

² The Compact is a municipal aggregator organized pursuant to G.L. c. 164, §134, and consists of the twenty-one towns in Barnstable and Dukes Counties -- Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth -- as well as the two counties.

³ NEM is a non-profit trade association representing suppliers and consumers of natural gas, electricity, and energy-related products in the United States, Canada, and the European Union.

⁴ At the time the comments were filed, Eversource was operating as Northeast Utilities.

⁵ RESA’s members include: AEP Energy, Inc.; Champion Energy Services, LLC; Consolidated Edison Solutions, Inc.; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Interstate Gas Supply, Inc. d/b/a IGS Energy; Just Energy; Liberty Power; MC Squared Energy Serves, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG Energy, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd.; and TriEagle Energy, L.P.

D.P.U. 14-140, Hearing Officer Memorandum, February 18, 2015. No reply comments were filed.

On March 31, 2015, the Department issued information request DPU 1-1 to National Grid, Eversource, and Unitil. The purpose of the information request was to identify the amount of money that was recalculated for residential and small C&I customers during the past twelve-month period. National Grid, Eversource, and Unitil submitted their respective responses on April 1, 2015.⁶ On April 9, 2015, the Compact, Direct Energy, and Choice Energy submitted comments on the responses to information request DPU 1-1. See D.P.U. 14-140, Hearing Officer Memorandum, April 8, 2015 (requesting comment).

II. BASIC SERVICE BILL RECALCULATION PROVISION

A. Background

The Department established the pricing framework for basic service in Pricing and Procurement of Default Service, D.T.E. 99-60-A (2000) and D.T.E. 99-60-B (2000).⁷ We established two pricing options that would be available to basic service customers: (1) an option in which prices would remain constant for six-month periods (“fixed-price option”);⁸ and (2) an

⁶ On April 3, 2015, Eversource and National Grid filed amended responses to their respective responses. On April 7, 2015, Eversource filed a second amended response.

⁷ In 2000, when these Orders were issued, what is now called basic service was called default service. 220 C.M.R. § 11.02.

⁸ The Department later revised, to three months, the number of months for which basic service rates remain fixed for medium and large C&I customers. Pricing and Procurement of Default Service, D.T.E. 02-40-C at 18-25 (2000).

option in which prices would change monthly (“variable-price option”).⁹ D.T.E. 99-60-A at 6-7. By default, residential and small C&I customers are placed on the fixed-price option, while medium and large C&I customers are placed on the variable-price option. D.T.E. 99-60-B at 7-8. All customers may elect to change their basic service pricing option. D.T.E. 99-60-B at 7-8.

The Department established that customers taking basic service under the fixed-price option who leave basic service during a pricing term would have their basic service costs recalculated using the monthly prices that were in effect during each month that the customer received basic service. D.T.E. 99-60-A at 8; D.T.E. 99-60-B at 10. The Department stated that recalculating bills in this manner would ensure that basic service customers pay the full costs of providing the service for the period that the customers receive the service.¹⁰ D.T.E. 99-60-A at 8; D.T.E. 99-60-B at 10. The Department implemented this provision to address the concern that competitive suppliers may seek to “game the system” by shifting their customers to basic service during months when the fixed basic service rate is lower than prices available in the wholesale energy market. D.T.E. 99-60-A at 8; D.T.E. 99-60-B at 10.

⁹ Rates for the variable-price option are based on the monthly bids submitted by basic service supply providers resulting in a monthly rate that reflects the true cost of basic service supply during the month. Rates for the fixed-price option are calculated as the weighted average of the monthly rates in effect during a basic service pricing term. As such, in certain months of the term, the fixed rate will exceed the monthly rate, and, in other months, the fixed rate will be below the monthly rate. See D.T.E. 14-140, at 8-9.

¹⁰ To the extent that a customer does not pay the full cost incurred by its electric distribution company in providing the customer with basic service, the electric distribution company recovers the difference through a charge that is applied uniformly to all of its distribution customers. D.T.E. 99-60-C at 10-13.

In D.P.U. 14-140, the Department proposed to eliminate the basic service bill recalculation provision for residential and small C&I customers,¹¹ stating that the current practice results in customer confusion and dissatisfaction because customers likely perceive the bill recalculation charge to be a penalty for leaving basic service and switching to a competitive supplier.¹² D.P.U. 14-140, at 11. The Department stated that the bill recalculation provision is likely a barrier to customers utilizing the competitive market, and that the Department expects that the benefits associated with eliminating the bill recalculation provision for residential and small C&I customers outweigh any benefits associated with maintaining this provision. D.P.U. 14-140, at 11. Further, the Department proposed establishing a tracking mechanism that would allow us and others to monitor potential impacts of the elimination of the recalculation provision for these customers. D.P.U. 14-140, at 11 n.20.

B. Summary of Comments

1. Comments Supporting the Department's Proposal

Choice Energy, Direct Energy, NEM, RESA, Eversource, Unitil, and the Massachusetts State Senators and Representatives submitted comments supporting the Department's proposal to eliminate the bill recalculation provision for residential and small C&I customers (Choice Energy Comments at 1; Direct Energy Comments at 2; NEM Comments at 3-4; RESA Comments at 4; Eversource Comments at 1; Unitil Comments at 2; Senators and Representatives

¹¹ The Department did not propose any change to this provision for medium and large C&I customers. D.T.E. 14-140, at 10.

¹² The Department notes that depending on when a customer leaves basic service during a six-month pricing term, the bill recalculation provision can result in a credit or debit on the customer's bill. D.T.E. 14-140, at 11 n.19.

Comments at 1-2). The four commenters representing the competitive supply community assert that the bill recalculation provision acts as a barrier to the participation of small customers in the electric competitive supply market because of the customer confusion and dissatisfaction it causes (Choice Energy Comments at 1; Direct Energy Comments at 2; NEM Comments at 3-4; RESA Comments at 4). These commenters assert that there is no evidence that either competitive suppliers or small customers have attempted to game the system by timing their switches away from basic service to take advantage of the way in which the fixed basic service prices are calculated (Choice Energy Comments at 1; Direct Energy Comments at 2; NEM Comments at 3-4; RESA Comments at 4). The Massachusetts State Senators and Representatives support the Department's proposal to eliminate the bill recalculation provision stating that customers are penalized by the provision and that the provision does not encourage customers to participate in the deregulated electricity market (Senators and Representatives Comments at 1-2).

Eversource agrees with the Department that, on balance, the advantages of eliminating the bill recalculation provision for residential and small C&I customers outweigh any disadvantages of continuing the practice (Eversource Comments at 1, citing D.P.U. 14-140, at 11). Eversource states that the bill recalculation process causes significant customer confusion that, in turn, creates administrative burdens for Eversource personnel (Eversource Comments at 1). Eversource states that, while it will incur costs to eliminate bill recalculation provision, these costs would be outweighed by the benefits of reducing customer confusion (Eversource Comments at 1).

2. Comments of the Attorney General

The Attorney General states that she does not oppose eliminating the bill recalculation provision on a trial basis (Attorney General Comments at 1-2). The Attorney General supports the Department's proposal to implement a tracking mechanism that would allow the Department to monitor the impact of eliminating the bill recalculation provision (Attorney General Comments at 1-2).

3. Comments Opposing the Department's Proposal

NCLC and National Grid oppose the Department's proposal to eliminate the basic service bill recalculation provision for residential and small C&I customers (NCLC Comments at 1-2; National Grid Comments at 4). National Grid states that this provision maintains equity among customers by ensuring that customers that switch to competitive supply during a basic service term pay their full supply costs during the time they received basic service (National Grid Comments at 3-4). National Grid also asserts that retaining the bill recalculation provision prevents competitive suppliers from gaming the system by using basic service as a competitive supply option (National Grid Comments at 3-4). As an example, National Grid notes that competitive suppliers could offer ten-month contracts that exclude the high-priced months of January and February (National Grid Comments at 3-4).¹³

NCLC asserts that competitive suppliers serving residential and small C&I customers could game the system by taking advantage of the differential between the fixed six-month basic service rate and prevailing market prices (NCLC Comments at 1-2). NCLC states that this could

¹³ The Attorney General, while not opposing the Department's proposal to eliminate the bill recalculation provision, raises the same concern as National Grid regarding these types of competitive supply contracts (Attorney General Comments at 1-2).

result in unpredictable changes in basic service enrollment levels, resulting in increases in the risk premiums that are embedded in basic service rates (NCLC Comments at 1-2).¹⁴

Accordingly, NCLC recommends that the Department not eliminate the bill recalculation provision without evidence regarding the proposal's impacts on basic service pricing (NCLC Comments at 1-2).

4. Other Comments

In addition to commenting on the Department's proposal, some commenters raised other issues related to the bill recalculation provision. Unitil recommends that, if the Department eliminates the bill recalculation provision for residential and small C&I customers, it should establish a different treatment for Department-approved municipal aggregation plans, particularly those that serve a significant portion of a distribution company's residential and small C&I customers (Unitil Comments at 2).¹⁵ Specifically, Unitil recommends that the Department limit the start date of a municipal aggregation plan so that the plan's start date coincides with the basic service rate change for a distribution company's residential and small C&I customers (Unitil Comments at 2). Unitil asserts that, absent such a limitation, there is a risk that a municipal aggregator would have the incentive to time the start of its plan to take advantage of any differences between the fixed basic service rate and prevailing market prices

¹⁴ The Attorney General, while not opposing the Department's proposal to eliminate the bill recalculation provision, raises the same concerns expressed by NCLC regarding potential increases in basic service costs (Attorney General Comments at 1-2).

¹⁵ In addition to the issue addressed here, Unitil recommends that the Department eliminate the fixed-price basic service option for medium and large C&I customers (Unitil Comments at 2-3). This issue falls outside of the scope of this proceeding; thus, the Department will not address it in this Order.

(Unitil Comments at 2). Unitil asserts that the costs of not recalculating basic service costs for these municipal aggregation plan customers could be significant (Unitil Comments at 2).

The Compact suggests that, to avoid gaming, the Department adopt a rule that residential and small C&I customers who switch back to basic service (from competitive supply) during a basic service pricing period be placed on the variable monthly rate for the remainder of the pricing period (Compact Comments at 2).¹⁶ The Compact asserts that this would remove the dynamic identified by the Department that these customers perceive that they are being penalized for choosing competitive supply while still sending proper price signals to such customers regarding the cost of basic service (Compact Comments at 2).

NEM recommends that the basic service bill recalculation provision be eliminated for medium and large C&I customers, as well as residential and small C&I customers, stating that the provision is anti-competitive and penalizes customers for exercising their statutory right to shop in the retail supply marketplace (NEM Comments at 1).

C. Analysis and Findings

1. Bill Recalculation Provision -- General

The purpose of the basic service bill recalculation provision is to ensure that basic service customers pay the full costs of providing the service for the period that the customers receive the service. D.T.E. 99-60-A at 8; D.T.E. 99-60-B at 10. The Department implemented this provision in large part to address the concern that competitive suppliers may seek to “game the

¹⁶ The Compact does not explicitly state support for the Department’s proposal to eliminate the bill recalculation provision for residential and small C&I customers. The Compact does, however, state that it understands the Department’s rationale for eliminating the bill recalculation provision (Compact Comments at 2).

system” by shifting their customers to basic service during months when the fixed basic service rate is lower than prices available in the wholesale energy market. D.T.E. 99-60-A at 8; D.T.E. 99-60-B at 10.¹⁷ See also Investigation by the Department of Telecommunications and Energy on its own Motion into the Provision of Default Service, D.T.E. 02-40-B at 7 (2003); NSTAR Electric Terms and Conditions for Distribution Service and Competitive Supplier, D.T.E. 05-84, at 15 (2006) (basic service is designed to be utilized as a last-resort service, and not used as an alternate competitive supply option). The Department’s concern with this practice was the potential that when customers “game the system,” the result is to shift costs to other customers. See D.T.E. 99-60-A at 8; D.T.E. 99-60-B at 10. However, in D.P.U. 14-140, the Department identified two factors in support of our proposal to eliminate the basic service bill recalculation provision for residential and small C&I customers that address this concern regarding the potential that customers would “game the system.”¹⁸ First, the Department noted that, because small customers are automatically placed on the fixed-price option, and historically have received electric service at prices that remain constant for period of six months and greater, they likely are unaware of the existence of the variable basic service pricing option. D.P.U. 14-140, at 10-11. Second, because competitive suppliers typically market to these

¹⁷ The Department stated that “[r]endering a recalculated bill for costs caused, but not yet paid, during high-cost service months should eliminate any reason for competitive suppliers to promote seasonal migration to [basic] service during high cost months, as was witnessed in early 2000.” D.T.E. 99-60-B at 10 n.12.

¹⁸ The Department noted that neither of these reasons apply to medium and large C&I customers, and thus, did not propose eliminating the provision for these customer classes D.T.E. 14-140, at 10.

customers using a “mass-marketing” strategy,¹⁹ it is unlikely that suppliers discuss with customers the potential benefits of “gaming the system” by strategically switching between competitive supply offerings and basic service to reduce their electric supply costs.

D.P.U. 14-140, at 11.

The Department stated that, for these reasons, it saw minimal, if any, benefits in continuing to apply the basic service bill recalculation provision to residential and small C&I customers. D.P.U. 14-140, at 11. In contrast, the Department identified a large benefit in eliminating this provision for these customers (i.e., eliminating customer confusion and dissatisfaction that the provision creates because customers likely perceive the resulting recalculation as a penalty for leaving basic service and switching to a competitive supplier).

D.P.U. 14-140, at 11. The Department stated that this dynamic serves as a barrier to these customers’ participation in the competitive supply market and that, on balance, the Department expects that the benefits associated with eliminating the bill recalculation provision for residential and small C&I customers outweigh any benefits associated with continuing this provision. D.P.U. 14-140, at 11. The Department stated its intent to establish a tracking mechanism that would allow the Department and others to evaluate the cost impact associated with eliminating the bill recalculation provision. D.P.U. 14-140, at 11 n.20.

Since the Department issued its proposal to eliminate bill recalculation, increases in basic service prices have caused increased interest in switching to competitive supply options. Many customers seeking to switch to competitive supply have been subject to the bill recalculation

¹⁹ A mass marketing strategy refers to a general marketing campaign with standardized products, as opposed to marketing products tailored for individual customers. D.T.E. 14-140, at 11.

provision, resulting in customer confusion and dissatisfaction. See D.P.U. 14-140, at 11.

Therefore, it is appropriate for the Department to reassess the efficacy of the bill recalculation provision at this time.

Many commenters support the Department's proposal (Choice Energy Comments at 1; Direct Energy Comments at 2; NEM Comments at 3-4; RESA Comments at 4; Eversource Comments at 1; Until Comments at 2; Senators and Representatives Comments at 1-2). NCLC and National Grid state that the Department's proposal to eliminate the basic service bill recalculation provision for residential and small C&I customers raises issues associated with equity among customers and would allow for the seasonal migration of customers to and from basic service (NCLC Comments at 1-2; National Grid Comments at 4). While we agree that the elimination of this provision raises the possibility of customers "gaming the system" which could lead to all distribution customers bearing costs incurred by those customers leaving basic service at certain times, we do not anticipate that the impact of eliminating the bill recalculation provision to be significant.²⁰

The Department's expectation on this matter is supported by the electric distribution companies' responses to the Department's information request DPU 1-1 which identifies the magnitude of impact of bill recalculation on distribution customers. These responses show that, had the bill recalculation provision not been in effect for residential and small C&I customers over the most recent twelve-month period, the increase in the companies' basic service

²⁰ The Department notes that, based on a regular migration of customers to (or from) competitive supply, for certain times, the elimination of the bill recalculation provision would result in a credit to all distribution customers. For this reason, the net cost shift over the course of a year is likely not to be unreasonably large.

reconciliation factors would have resulted in monthly bill increases, for customers using 600 kilowatt-hours, ranging from less than one cent per month for National Grid customers to twelve cents per month for Western Massachusetts Electric Company customers.²¹ While historical data is not a perfect predictor of future action, the Department will establish a tracking mechanism to identify any unanticipated impact from our decision. Finally, our review of the comments received do not cause us to change our opinion that the benefits of retaining the bill recalculation provision are outweighed by the negative effect of continued application of the provision.

Regarding NCLC's recommendation that the Department not eliminate the bill recalculation provision absent evidence from the electric distribution companies regarding the likely impacts on basic service pricing (NCLC Comments at 1-2), the Department notes that basic service rates are based on the bids provided by basic service suppliers in response to the distribution companies' solicitations for basic service supply. Suppliers submit bundled bids that include all of their costs components, including costs associated with the risk of basic service

²¹ The Department received comments from Choice Energy, Direct Energy, and the Compact in response to the Department's request for comment on the responses to information request DPU 1-1. Choice Energy and Direct Energy comment that the large dollar amount paid by residential and small C&I customers because of the basic service bill recalculation provision confirms that maintaining the provision may discourage customers from participating in the competitive supply market (Choice Energy Comment on DPU 1-1, at 1-2; Direct Energy Comment on DPU 1-1, at 1-2). The Compact states that the information provided by the electric distribution companies may be useful to better understand the magnitude of charges or credits resulting from the bill recalculation provision (Compact Comment on DPU 1-1, at 2). The Compact, however, cautions that the Department not rely on this data to predict the magnitude of charges or credits should the Department decide to terminate the bill recalculation provision (Compact Comment on DPU 1-1, at 2). Accordingly, the Compact recommends that the Department implement a tracking mechanism if the bill recalculation provision is terminated (Compact Comment on DPU 1-1, at 2).

load volatility. City of Lowell Municipal Aggregation Plan, D.P.U. 12-124, at 60-61 (2013).²²

Because basic service suppliers do not itemize the costs associated with each component of the bid, it is not possible to identify, in any meaningful or reliable manner, the effect that the elimination of the bill recalculation provision for residential and small C&I customers would have on basic service pricing. D.P.U. 12-124, at 62 n.38.

Based on the above, the Department finds that, on balance, the advantages of eliminating the basic service bill recalculation provision for residential and small C&I customers outweigh the disadvantages and, thus, concludes that eliminating the bill recalculation provision is appropriate. To ensure that the Department and stakeholders can evaluate the impact of our decision, the Department will implement a tracking mechanism (see Section III, below).

The Department seeks to implement the elimination of the bill recalculation provision for residential and small C&I customers immediately. Therefore, the Department eliminates the basic service bill provision, effective as of the date of this Order. Electric distribution companies shall not recalculate customer bills for customers who switch from basic service to competitive supply service,²³ effective as of the date of this Order. Each electric distribution company shall file revised basic service tariffs consistent with this Order, within five days of the date of this Order, with an effective date as of the date of this Order.

²² These costs include: (1) projected costs of wholesale electricity products; (2) market price risk; (3) load obligation risk; and (4) profit margin. D.T.E. 12-124, at 60-61.

²³ I.e., for customers whose switch is effective, and cease to be billed at the basic service rate, as of the date of this Order.

2. Bill Recalculation Provision -- Municipal Aggregation

Unitil raised concerns regarding the effect that eliminating the basic service bill recalculation provision may have on customers of distribution companies whose service territory has Department-approved municipal aggregation plans. Unitil recommends that the Department limit the start of municipal aggregation plans to coincide with the timing of the applicable distribution company's basic service rate term for its residential and small C&I customers (Unitil Comments at 2).

In proposing to eliminate the bill recalculation provision for residential and small C&I customers, the Department did not distinguish between customers that switch individually to competitive supply and those customers that switch to competitive supply as part of a Department-approved municipal aggregation plan. Based on Unitil's comments, however, such a distinction may be warranted. Because such a distinction was not included in our bill recalculation proposal, the Department will not treat municipal aggregation customers differently than other residential and small C&I customers at this time. The Department determines it is appropriate to investigate bill recalculation in the context of municipal aggregations, and will issue a separate request for comments on whether the Department should continue bill recalculation for customers of a municipal aggregation.

3. Other Issues

The Compact recommends that the Department adopt a rule that residential and small C&I customers that switch back to basic service (from competitive supply) during the middle of a basic service pricing period be placed on the variable monthly rate for the remainder of the pricing period (Compact Comments at 2). This proposal represents a significant change in

Department policy. At this time, the Department lacks a factual basis or compelling reason to adopt this proposed change. If, however, empirical data provided by our tracking mechanism indicate that competitive suppliers may be “gaming the system” by switching customers back to basic service during a pricing term, we may consider the Compact’s proposal.

NEM recommends that the Department eliminate the bill recalculation provision for medium and large C&I customers, as well as residential and small C&I customers (NEM Comments at 10). The Department’s proposal to retain the provision for larger customers was based on two reasons: (1) these customers are automatically placed on the variable-price option and must specifically request to be placed on the fixed-price option; and (2) competitive suppliers may attempt to “game the system” through their individual communication with these customers. D.P.U 14-140, at 10, citing D.T.E. 99-60-A at 8-10. NEM has provided no new information that would cause the Department to reconsider its position on this issue. Therefore, we decline to adopt NEM’s recommendation.

III. TRACKING MECHANISM

As discussed above, the Department will implement a tracking mechanism to allow us and stakeholders to evaluate the impact of our decision to eliminate the basic service bill recalculation provision for residential and small C&I customers. The tracking mechanism should provide empirical data on two factors: (1) the amount of money that each electric distribution company must collect or credit through its basic service reconciliation factor due to the elimination of the bill recalculation provision; and (2) the extent to which individual competitive suppliers are gaming the system by switching their customers (both to and from

basic service) on a seasonal basis. This data will allow the Department to determine if further action is necessary.

Attachment 1 to the Order presents the Department's proposed tracking mechanism. The Department will require the electric distribution companies to provide this information on a periodic basis. The Department will convene a technical session to discuss the proposed tracking mechanism and the timing of providing the tracked data to the Department.

IV. ORDER

Accordingly, after due notice and consideration, it is

ORDERED: That the basic service bill recalculation provision established in Pricing and Procurement of Default Service, D.T.E. 99-60-A (2000) and D.T.E. 99-60-B (2000) is hereby eliminated consistent with the directives contained herein; and it is

FURTHER ORDERED: That all electric distribution companies shall file revised basic service tariffs consistent with the directives contained herein; and it is

FURTHER ORDERED: That all electric distribution companies shall comply with the directives contained herein.

By Order of the Department,

/s/
Angela M. O'Connor, Chairman

/s/
Jollette A. Westbrook, Commissioner

/s/
Robert E. Hayden, Commissioner

Attachment A

	Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec		TOTAL \$	Impact				
	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS	leave BS	return to BS			kWh sales	\$/kWh		
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$						
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Supplier 6																														
Supplier 7																														
Supplier 8																														
Supplier 9																														
Supplier 10																														
TOTAL																														

Legend

BS refers to basic service

refers to the number of residential and small commercial and industrial customers that left basic service or returned to basic service (as applicable) during their billing cycle that ended in the specified month

\$ refers to the total \$ amount of reconciliation that would have been charged (credited to) those customers that left basic service had the bill recalculation provision remained in effect

kWh sales refers to the total sales (i.e., of all distribution company customers) for the 12-month period.