



1165 Massachusetts Avenue
Dorchester, MA 02125

Craig A. Hallstrom
President of Electric Operations
Massachusetts & Connecticut

January 17, 2017

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

Re: NSTAR Electric Company and Western Massachusetts Electric Company, each d/b/a Eversource Energy, Petition for Approval of a Performance-Based Ratemaking Mechanism and General Distribution Revenue Change, D.P.U. 17-05

Dear Mr. Marini:

Enclosed are an original and five copies of a request for a general increase in rates and related proposals by NSTAR Electric Company and Western Massachusetts Electric Company, each d/b/a Eversource Energy (together, "Eversource" or "Company"), made in accordance with G.L. c. 164, § 94 and 220 C.M.R. §§ 5.00 et seq.¹ A check in the amount of \$7,200 for the filing fee is included herewith.

In this filing, Eversource is presenting the *Eversource Grid-Wise Performance Plan* encompassing three components for approval by the Department of Public Utilities (the "Department"). First, the Company is proposing to implement performance-based ratemaking mechanism ("PBRM") that would adjust rates annually in accordance with a revenue-cap formula. The PBRM is designed to advance the Commonwealth's clean energy goals, create stronger incentives for cost efficiency, and assure continued achievement of top-tier service-quality performance. The PBRM would substitute for the capital-cost recovery mechanism that the Department has recently approved for other electric companies for application in conjunction with revenue decoupling.

Second, within the PBRM, Eversource is committing to make an incremental capital investment of \$400 million over the next five years through a Grid Modernization Base Commitment ("GMBC"), without a separate cost-recovery mechanism. Through the GMBC, Eversource would commence work on January 1, 2018 on a series of clean-energy initiatives. These initiatives include the development of electric-vehicle infrastructure and electric-storage capabilities and the implementation of automation technologies, such as remote sensing and switching that will assist in integrating distributed energy resources and improving service reliability. These technologies will advance the Commonwealth's goals of reducing greenhouse

¹ The Department last approved a general distribution rate increase for NSTAR Electric Company in D.T.E. 05-85 (2005). For Western Massachusetts Electric Company, the Department last approved a general distribution rate increase in D.P.U. 10-70 (2011).

gas emissions and creating resiliency to the impacts of climate change, as established by the Massachusetts legislature in 2008 through the Green Communities Act and the Global Warming Solutions Act, and as most recently expressed in the Baker Administration's Executive Order No. 569, Establishing an Integrated Climate Change Strategy for the Commonwealth (September 16, 2016).²

Third, Eversource is requesting a change in delivery rates designed to recover an annualized net increase in delivery revenue of \$60.2 million for NSTAR Electric Company ("NSTAR Electric") and \$35.7 million for Western Massachusetts Electric Company ("WMECO"). The requested change in base distribution rates is required by law and will lock in annual operating cost savings of \$30 million resulting from the 2012 merger between NSTAR and Northeast Utilities. For residential customers in Eversource's Eastern Massachusetts service area, the new distribution rates would add approximately 7 percent or \$8.45 to the monthly bill of a typical residential customer using 550 kilowatt hours of electricity. For residential customers in Eversource's Western Massachusetts service area, the new distribution rates would add approximately ten percent or \$11.64 to the monthly bill of a typical residential customer using 550 kilowatt hours of electricity.³

Eversource Outlook. Eversource has one, overriding objective in operating its Massachusetts electric distribution system, which is to maintain the highest level of safe and reliable service to electric customers. As a corollary, Eversource views strict financial management to be a core obligation in the interest of both customers and shareholders. Reliable electric service is a critical necessity for homes and businesses in the Commonwealth, affecting all aspects of the Commonwealth's socio-economic environment. Eversource management recognizes that, because customers cannot function without electricity, there is a fundamental obligation to keep the costs of that electricity as low as possible, while balancing the imperative to deliver power safely and reliably and meet clean-energy goals. Eversource is deeply committed to these obligations and to serving customer interests as well as possible.

In addition, Eversource's guardianship of the electric-distribution system requires that the Company adapt its operations to address external factors with the goal of meeting "next generation" utility obligations. There is no understating the impact of technology and public

² Chapter 169 of the Acts of 2008, An Act Relative To Green Communities and An Act Establishing the Global Warming Solutions Act, St. 2008 c. 298, § 7.

³ As discussed in the filing, the Company is proposing a two-phase implementation of base distribution rates approved in this proceeding. The first phase would be effective January 1, 2018 and the second phase would become effective January 1, 2019. The second phase is necessitated by several factors including the standardization of 50 rate classifications to 11 classifications in consolidating the rates of the NSTAR Electric legacy companies (Boston Edison Company, Commonwealth Electric Company and Cambridge Electric Light Company); alignment of rate classifications between NSTAR Electric and WMECO; and rate-impact mitigation.

policy on today's operating environment. The rate of change taking place in the industry due to the interrelated forces of technological advancement, deepening customer engagement and a clean-energy mandate is creating unprecedented challenges for electric-utility operations.

Today, electric distribution systems operate largely the way the systems were designed to operate almost 100 years ago with one-way power flows on a radial system delivering power generated outside the system to customers located on the system. Completing the transformation from the existing radial system with one-way power flows to a two-way power delivery system enabled by distributed generation and computer-based equipment that can communicate information within, across and outside of the system on a secure, safe and reliable basis will take years of hard work, investment and collaboration among a range of constituencies. There is also no overstating the duty that rests with the Company in assuring cyber-security, which is a paramount consideration as the Company works to evaluate and incorporate new solutions designed to modernize the electric grid. Therefore, a principal objective of a larger electric utility like Eversource must be to assess, understand and adapt to these changing requirements, while continuing to preserve service reliability to customers.

These three inter-related objectives: providing highly reliable electric service; with strict cost control across all work processes; while adapting to an operating environment experiencing profound change due to technological advancement and climate-change policy, drive the need for full engagement of the Eversource management team and workforce, as well as the investment of substantial capital resources. Eversource plans to be successful in meeting these challenges and in working with all of its constituencies to make progress on the next generation of utility service. Eversource views this case as the cornerstone to that progress and is putting forth a carefully considered proposal designed to address the materializing dynamics of the modern electric-utility operating environment.

With the Department's approval of the PBRM, Eversource will be authorized to move forward with its commitments to grid modernization, coupled with strong incentives to control the costs of those investments along with the cost of traditional investments and operating expense. Therefore, Eversource is requesting the Department's careful review and approval of the interrelated proposals put forth in this filing.

Lastly, please note that, consistent with the provisions of G.L. c. 164, § 94 and 220 C.M.R. 5.02(4)(a), the enclosed proposed tariffs bear an effective date of February 1, 2017, which is the first day of the month following the Company's filing and at least fourteen days after the Company's filing. As delineated in G.L. c. 164, § 94, the Company anticipates that the Department will suspend the proposed tariffs for a period of 10 months and issue its final decision on November 30, 2017. However, the Company has prepared this case to effectuate

rate changes on January 1, 2018, in order to allow time for a compliance filing and implementation of the final, approved rates.⁴

Eversource greatly appreciates the Department's attention to this filing and looks forward to working with interested parties during the course of this proceeding. All correspondence relating to the filing should be addressed to:

Cheryl M. Kimball, Esq.
Danielle C. Winter, Esq.
Jessica Buno Ralston, Esq.
Keegan Werlin LLP
265 Franklin Street, 6th Floor
Boston, MA 02110
Tel: 617.951.1400

Please acknowledge receipt of this filing by date-stamping the enclosed copy of this letter and returning it in the envelope provided.

Sincerely,



Craig A. Hallstrom
President
Regional Electric Operations

encl.

cc: Hon. Angela M. O'Connor, Chair
Hon. Jollette A. Westbrook, Commissioner
Hon. Robert Hayden, Commissioner
Kevin F. Penders, General Counsel
Kevin Brannelly, Director, Rates and Revenues Division
Matthew Nelson, Director, Electric Division
Rebecca Tepper, Assistant Attorney General
Joseph W. Rogers, Assistant Attorney General
Rachel Evans, Esq., Department of Energy Resources
Janet Gail Besser, Executive Vice President, New England Clean Energy Council
Charles Harak, Esq., National Consumer Law Center
Jerrold Oppenheim, Esq., Low-Income Weatherization and Fuel Assistance Program Network

⁴ Following the issuance of the Department's final decision in this case, the Company will file compliance tariffs with an effective date of January 1, 2018.