



CAMBRIDGE CONSUMERS' COUNCIL

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City Of Cambridge

Paul J. Schlaver
Executive Director

serving the
residents of:

Cambridge
Boston

To: Robert Healy, City Manager
From: Paul Schlaver, Consumers' Council Director
Date: June 21, 1995

RE: Council Order #37, dated 4/25/95
UTILITY OVERCHARGES TO CAMBRIDGE CONSUMERS

An annual review of rates and business practices of the utility companies is conducted by the DPU and the Regulated Industries Division of the Attorney General's office participates in this process. The 10.8 million dollar reduction that resulted in a recently settlement with Commonwealth Electric became newsworthy because of its size and the press coverage triggered this Council order.

I have spoken with both the DPU and the Attorney General's office and they have assured me that the view that this was a result of "overcharges" is really a misnomer. Commonwealth Electric has a financial interest in the Seabrook, Maine Yankee and Connecticut Yankee nuclear plants. Whenever there is a plant shutdown or outage, electricity needs to be purchased for that period of time. Often the shutdowns are, in fact, caused by "mismanagement" or human error at the plants in addition to mechanical breakdowns or routine maintenance. Thus, these costs end up being assessed to the various companies but not allowed to be passed on to the rate payers. In fact, the shutdown outages means the rate payers cost must be reduced. The rest of the 10.8 million was a result of some tax savings realized at Seabrook and simply passed on proportionally to Commonwealth Electric.

The settlement agreement did not result in any declared findings of mismanagement that could be ordered corrected for the future. Outages may continue to occur and tax savings may also occur. Commonwealth Electric may not necessarily be able to actively influence either nuclear power plant related events by their own proper management. I have also been told that only \$1,500,000 of the 10.8 million goes to the Cambridge Electric Division of the Commonwealth Electric Company. This will be passed on to its customers over six months and will be negligible in the typical residential customer's monthly bill. Ironically, the recent rise in oil cost will not only offset these reductions but may trigger an increase in the bills somewhat!

Hopefully, the Attorney General's office will continue monitor carefully and intervene strongly when Commonwealth Electric or other utilities that serve Cambridge need scrutiny and need to be challenged about their activities.



CITY OF CAMBRIDGE

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EXECUTIVE DEPARTMENT

ROBERT W. HEALY

City Manager

RICHARD C. ROSSI

Deputy City Manager

July 31, 1995

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 28, regarding utility overcharges to Cambridge consumers, received from Paul Schlaver, Consumers' Council Director.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
attachment

Consent Agenda # 2

8-238

Response to Awaiting Report Item Number Twenty-Eight regarding utility overcharges to Cambridge consumers.

for original see 1995
City Managers Requests
173.

In City Council,

July 31, 1995

Placed on file