



CAMBRIDGE CONSUMERS' COUNCIL

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City Of Cambridge

Paul J. Schlaver
Executive Director

serving the
residents of:

Cambridge
Boston

To: Robert Healy
From: Paul Schlaver
Through: Benjamin Barnes
Date: March 10, 1998

RE: Council Orders #042 & #115, dated 2/2/98 Re: Electricity Restructuring and the
Impact on the City of Cambridge

On March 1, 1998 the implementation of the Electricity Industry Restructuring Act, Chapter 164 of the Acts of 1997 began. This 110 page complex piece of new legislation has significant impact on the City of Cambridge and on the businesses and residents of Cambridge. Over time, many decisions will need to be made by these affected parties that must be carefully weighed in order to maximize the potential benefits that could come from wise decision making. These Council Orders seek a report both as to ways the City might save money as a result of this new law but also seek a report on the broader range of decisions that should be made due to this Act.

Fortunately, an immediate 10% reduction in the cost of electricity to all municipal, business and residential consumers of electricity in Massachusetts began on March 1st without the need to take any action. Therefore, the short answer to the question of how to save money, as posed by the Council Orders, would be to, do nothing right now. For over a year this 10% reduction on all electric bills, called the "*Standard Offer*," will be in effect and then an additional 5% off is scheduled to kick-in. This guaranteed reduction has triggered a very slow start to any effort by new companies that are suppliers of electricity to seek Massachusetts's customers. None of these companies can beat this 10% discount in price.

In addition to the current discount, the potential suppliers of electric power that can now enter the marketplace in Massachusetts may be deterred at present due to the potential ballot question calling for the repeal of this new Act.

The Massachusetts Municipal Association is offering a plan to Cambridge and all other municipal members to sign on to the program they are offering through a contract with a broker that they have retained called National Energy Choice. If the City contracts with this broker it will be signing a multi-year contract to buy electrical power for city

owned buildings. This would preclude a chance to create an opportunity to “aggregate” the City’s buying power with other local electric customers. The new law allows for, and even encourages, the **aggregation of electricity buying power**. The City of Cambridge could join with, for example, the Cambridge Housing Authority, the Cambridge Hospital, private sector customers such as Harvard University and other Cambridge institutions, Cambridge non-profits, small businesses and the large pool of Cambridge residents, and then buy electricity as a block to maximize the cost benefits of the deal for all.

The new law allows the City of Cambridge to negotiate for **the purchase of the streetlights** currently rented from Cambridge Electric Company. Yet, the question of what is a fair price will not be a simple or quick decision. Some streetlights are new and some are old and so the depreciation value must be factored in. What will it cost the City in the future to purchase new streetlights as needed and to repair and maintain them? These are just some of the questions that must be answered before a recommendation on this question can be made.

Prior to March 1st, Cambridge Electric was the only company that the City or any other Cambridge customer could contract with for electrical power. The Department of Public Utilities closely regulated the company and all rate increases sought, its marketing practices, energy efficiency programs, and consumer practices. Now the Department has been renamed the Department of Telecommunications and Energy and only regulates the distribution of electricity to Cambridge customers by Cambridge Electric, but it does not directly regulate the potentially many suppliers and generators of electricity that will compete for the City’s business. Because of this potential emergence of new supplier businesses, the new law has made provision for continued consumer protections. The Attorney General’s Office is in the process of promulgating tough regulations to make sure that deceptive marketing practices, customer slamming (involuntary switching of your electricity supplier company), the redlining of customers and other unfair practices do not occur.

The City of Cambridge could choose to spend the next several months carefully studying these issues, watching the marketplace and talking to all relevant parties that might help it develop sound policy recommendations so it could make wise decisions. The City of Cambridge can also use these months to work closely with Cambridge Electric, the Department of Telecommunications and Energy and the Attorney General’s Office to educate the electric customers in Cambridge about this new law and the options it presents. For example, the low-income discounts that are currently available to eligible consumers are still in place under the new law and even expanded to reach more customers ... and the 10% discount is added on to that lower rate. The City may want to assist in the outreach to these customers. The Cambridge Electric Company has already agreed to work with the Cambridge Consumers’ Council to educate the public about this new law and there has been staff participation with the DTE in the development of the consumer educational materials that will soon be available to consumers.

There is no apparent adverse consequence in delaying a decision about the Massachusetts Municipal Association proposal. It may be desirable to have a small

group of City officials and possible other resources diligently gather information and explore the aforementioned issues and report back to you at a later date as to possible decisions to consider and policy recommendations to make. This wait and study approach certainly will not preclude the City from gaining the benefit of the 10% discount now already in place. Simultaneously, a consumer education process can be implemented along with an outreach effort to maximize the discounts offered to the low-income consumers of Cambridge now eligible for this additional discount.



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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

March 16, 1998

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item Nos. 5 and 6, regarding the restructuring of the electric utility industry and the impact on the City of Cambridge, received from Executive Director of the Consumers' Council Paul Schlaver.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

Consent Agenda #10

S-149

Relative to the restructuring
of the electric utility
industry and the impact on the
City of Cambridge.

In City Council March 16, 1998

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