

Electricity base rates to double in Massachusetts this winter

John Marion
20 October 2014

On September 23 the Massachusetts Department of Public Utilities approved severe increases in electricity billing rates, which the National Grid company had requested only one week before. From November 1 through April 30, basic service rates for home use will nearly double, from 8.3 cents per kilowatt hour to 16.2 cents.

The new rate will add approximately \$30 to the average monthly bill this winter and is more than 60 percent higher than last year's winter rate. Small commercial and industrial users will also suffer large increases, with their basic service rate increasing to 15.138 cents/kWh on November 1.

The rate increase was railroaded through DPU's approval process. National Grid submitted its "request" on September 16 and demanded a response within five business days. The DPU caved in so cravenly that on October 2 the state Attorney General's office sent it a letter quoting a 2001 DPU ruling "that rate structure changes should be made in a predictable and gradual manner which allows consumers reasonable time to adjust their consumption patterns." The AG's office, however, is unable to request any changes to the current rate hikes except for deferring some of them to next summer.

National Grid, one of the two main distributors of electricity in Massachusetts, is blaming its price gouging on electricity producers, and claiming that it will make no additional profit. Whatever the accounting gimmicks behind this argument, the company has most households over the barrel. In the region encompassing Massachusetts, New Hampshire, New York, Rhode Island, and Vermont, it has 3.3 million electricity customers and 3.4 million natural gas customers. In some areas, it has a virtual monopoly.

The company argues that increases in the cost of

natural gas, along with insufficient infrastructure for its supply, are causing commercial electricity generators to charge more this winter. Reflecting the irrationality of energy distribution under capitalism, natural gas for home heating is significantly cheaper than that purchased by electricity producers. The *Boston Globe* gives as an example a day in December 2013 when "a shortage of natural gas drove wholesale electric prices to \$1,290 per megawatt hour," more than 35 times the average price of \$36.

National Grid, as a private company, grew out of the privatization of the British electricity grid in the 1990s. It has since bought up many smaller gas and electric utilities in the northeastern United States, and now has a market capitalization of more than £30 billion.

Natural gas is increasingly being used to generate electricity in New England as old coal-powered plants, along with the Vermont Yankee nuclear plant, are shut down. Until recently, the six New England governors were working on a deal that would let the private utilities charge customers for the capital costs—totaling in the billions of dollars—of expanding the natural gas pipeline infrastructure.

Massachusetts Governor Duval Patrick, who originally supported the agreement, is now delaying his approval until after the upcoming election. He himself is not running for reelection, but the delay is intended to help Attorney General Martha Coakley, the Democratic candidate to succeed him.

A pipeline proposed by Kinder Morgan, which would run from New York state to the Massachusetts town of Dracut and pump at least 800 million cubic feet of natural gas per day, is facing opposition in western Massachusetts. Kinder Morgan has in the past been cited by the Pipeline and Hazardous Materials Safety Administration for violations on some of its other

pipelines, including failure to test safety devices, failure to maintain firefighting equipment, and failure to adequately monitor the corrosion of its pipes. Even the *Wall Street Journal* worried in September 2013 that the company's deferred maintenance backlog was causing pipeline accidents.

In addition to increased natural gas capacity, the utilities and state governments are debating modernization of the electric grid to incorporate new technologies including electric cars, "smart meters" that give the utilities real-time information about customer usage, solar generators that feed small amounts of electricity back onto the grid, and real-time pricing information for customers.

While genuine technological advances are included in these plans, household users will pay the brunt of the costs. A June 2014 report by the Massachusetts DPU states "although investments associated with advanced metering functionality must be made within five years, they need not be used and useful by the year for which cost recovery is sought." In other words, customers will be forced to pay for technology that hasn't even been turned on yet.

The question of feeding electricity from small solar producers back into the grid also shows the irrationality of capitalist distribution. A May 2014 article on the UtilityDIVE web site quotes the executive vice president of the Edison Electric Institute: "distributed resources sent to the grid should not be reimbursed at the retail rate ... because distributed generators 'rely on the utility's grid.'" In other words, large utilities like National Grid should be able to pay small generators less simply because the former control the grid.

The DPU report also promises companies like National Grid "preferential regulatory treatment available to all grid modernization-related capital investments."

To customers, on the other hand, it offers the ability "to respond to price signals, as they currently do for airline tickets, hotel reservations, and other purchases. Empowered to shift their demand to off-peak periods, customers will be able to decrease their bills by avoiding the use of electricity when it is most expensive." Instead of spending their evenings on culture, exercise, or recreation, household users will be expected to sit at the computer and watch for cheaper rates.

National Grid's electricity bills already include a number of incomprehensible charges, which are not likely to be rationalized under such a scheme. A monthly Transition Charge, for example, recoups "company payments to its wholesale supplier for terminating its wholesale arrangements," while a Transmission Charge is for "the cost of delivering electricity from the generation company to the beginning of the Company's distribution system."



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact