

## Bill Recalculation of Basic Service Costs for Residential Customers

### I. BACKGROUND ABOUT BASIC SERVICE

Customers that obtain their electricity from a distribution company are on Basic Service.<sup>1</sup> Residential customers on Basic Service have two pricing options: (1) fixed price - prices remain constant for a six-month pricing term; and (2) variable price - prices change monthly. By default, residential customers are placed on the fixed price option.

Variable prices change on a monthly basis, and are generally expected to track wholesale market supply costs. In contrast, fixed prices are calculated as the weighted average of the monthly rates, and are designed to eliminate the monthly variations. As a result the fixed rate may either be less than or exceed the variable rate in certain months of the term.

### II. BILL RECALCULATION

Customers on the fixed price Basic Service option who switch to a competitive supplier during a pricing term will have their bills recalculated using the monthly variable prices that were in effect during each month that the customer received Basic Service. Pricing and Procurement of Default Service, D.P.U. 99-60-A at 8 (2000) and D.P.U. 99-60-B at 10 (2000). This can result in either an increase or decrease of the customer's prior bill(s). Recalculating bills in this manner ensures that Basic Service customers pay the full costs of basic service supply. To avoid a bill recalculation a customer can switch from Basic Service to a competitive supplier at the beginning of a Basic Service term.

### III. SAMPLE BILL RECALCULATION

Below is a sample example of how the bill recalculation works. Table 1, demonstrates the difference between a customer's fixed and variable price options. Table 2, shows approximately how much the customer, using 1000 kWh of electricity, would pay each month on the different pricing options, and the difference between those options.

	January	February	March	April	May	June
Fixed	9.334	9.334	9.334	9.334	9.334	9.334
Variable	12.530	12.280	8.341	7.359	6.910	7.337

<sup>1</sup> The electric distribution companies in Massachusetts are National Grid, Unitil, and Eversource (NSTAR and WMECo).

<sup>2</sup> The fixed and variable price information is available on your distribution company's website.

	January	February	March	April	May	June
(1) Fixed	\$ 93	\$ 93	\$ 93	\$ 93	\$ 93	\$ 93
(2) Variable	\$ 125	\$ 123	\$ 83	\$ 74	\$ 69	\$ 73
Difference (2-1)	\$32	\$29	\$-10	\$-20	\$-24	\$-20

In this example, if a customer switched to a competitive supplier on February 1, the customer's bill would be recalculated for the month of January, and the customer would owe their distribution company an additional \$32. If a customer switched to a competitive supplier on March 1, the bill would be recalculated for the months of January and February and the customer would owe an additional \$ 61 (\$32+\$29). If a customer switched to a competitive supplier on April 1, the bill recalculation would be \$ 51 (\$32+\$29-\$10).

#### IV. FIXED BASIC SERVICE TERMS

The table below lists the terms that Basic Service rates remain constant.

<b>Distribution Company</b>	<b>Six Month Basic Service Fixed Rate Term</b>
Eversource (NSTAR and WMECo)	January 1 – June 30 July 1 – December 31
National Grid	May 1 – October 31 November 1 – April 30
Unitil	June 1 – November 30 December 1 – May 31