

# Town of Natick

## Municipal Aggregation Plan

December 19, 2013

The Town of Natick has developed the Natick Community Choice Electricity Supply Program to bring the benefits of low cost power, renewable energy, and electricity choice to its residents and businesses. The program is part of Natick's efforts to promote environmental sustainability and economic growth.

Before being implemented, the aggregation program must be reviewed and approved by the Massachusetts Department of Public Utilities (DPU). The DPU will ensure that the program satisfies all of the statutory requirements, including that the plan provides universal access and a reliable power supply and treats all customer classes equitably. This aggregation plan was developed to demonstrate that Natick's program satisfies all of the requirements necessary for DPU approval.

### I. Key Features

The key features of Natick's municipal aggregation program will include:

**Price protection:** Natick will secure its power supply by requesting competitive bids from the largest and most experienced power suppliers in the region. This competition will result in the best possible price. Natick will only launch the aggregation when it obtains a price that meets or beats the price of utility Basic Service.

**Consumer protection:** Natick's program will include the strongest consumer protections, including the ability for any customer to leave the program at any time with no fee. There will be no hidden charges of any kind.

**Product options:** Natick will offer at least one optional green product as an alternative to the standard product, giving customers a choice of environmental characteristics and price.

**Coordination with Natick's Home Energy Initiative:** Natick's Home Energy Initiative has helped hundreds of Natick residents to reduce their energy consumption. The aggregation program will coordinate with the Home Energy Initiative to help even more residents to cut their energy use and cost.

**Local power sources:** Natick will seek to purchase Renewable Energy Certificates (RECs) from renewable energy generators in Natick, including the many solar energy projects in town, and include these RECs in the green product.

## II. Statutory Requirements

The municipal aggregation statute, G.L. c. 164, sec. 134, sets out the requirements that a plan must meet in order to be approved by the DPU. Those requirements include procedural requirements, specified plan elements, and substantive requirements. Natick's plan satisfies all of these requirements, as discussed below.

### 1. Local Approval

The Municipal Aggregation Statute requires that the Town obtain approval from the local governing authorities before initiating the development of the plan. Natick satisfied the local approval requirement when Natick's Town Meeting voted to initiate the process of municipal aggregation on October 23, 2012. The minutes of the town meeting are attached as Appendix A.

### 2. Consultation with the Department of Energy Resources and Other Parties

The aggregation statute also requires the Town to consult with the Department of Energy Resources (DOER) in developing the plan. Natick submitted a draft of the plan to DOER and Natick officials met with DOER to discuss that draft on July 11, 2013. DOER provided many helpful comments on the draft which were incorporated into the final version of the plan.

Natick has also consulted with NSTAR in the development of the plan. Natick's aggregation consultant provided NSTAR with a draft of the plan for review and discussed the draft with NSTAR representatives.

Natick has made the plan available for review by its citizens, including discussing the plan at a public meeting of the Board of Selectmen.

## II. Elements of the Plan

The Municipal Aggregation Statute requires that the plan contain the following elements:

- Organizational structure
- Operations
- Funding
- Details on rate setting and other costs to participants
- The method of entering and terminating agreements with other entities
- The rights and responsibilities of program participants
- The procedure for termination of the program

Each of those elements is discussed in turn below.

### 1. Organizational Structure

The organizational structure of the aggregation program will be as follows:

**Board of Selectmen and Town Administrator:** The aggregation will be approved by the Board of Selectmen, the elected representatives of the citizens of Natick, and overseen by the Town Administrator.

**Consultants:** The town's aggregation consulting team (hereinafter jointly referred to as "Consultant") will manage the aggregation under the Town Administrator's direction. Their responsibilities will include managing the supply procurement, developing and implementing the public education plan, interacting

with the local distribution company, and monitoring the supply contract. Through a competitive procurement process, Natick has selected the team of Bay State Consultants and Peregrine Energy Group to provide these services for an initial three-year term.

**Competitive Supplier:** The competitive supplier will provide power for the aggregation, provide customer support including staffing an 800 number for customer questions, and fulfill other responsibilities as detailed in the Competitive Electric Service Agreement.

## 2. Operations

Following approval of the Plan by the DPU, the key operational steps will be:

- a. Issue supply RFP and select winning competitive supplier
- b. Implement public information program, including 30-day opt-out notice
- c. Enroll customers and provide service, including quarterly notifications

The implementation of an aggregation requires extensive interaction between the Town, the competitive supplier, and the local distribution company. Those interactions are described in detail in Appendix B.

### a. Issue supply RFP and select winning competitive supplier

#### *i. Power supply*

After the DPU approves the plan, the next step is to procure an energy supply contract.

Natick will solicit bids from leading competitive suppliers, including those currently supplying aggregations in Massachusetts and other states. The RFP will require that the supplier satisfy key threshold criteria, including:

- Licensed by the DPU
- Strong financial background
- Experience serving the Massachusetts competitive market or municipal aggregations in other states
- Demonstrated ability, supported by references, to provide strong customer service

In addition, suppliers will be required to agree to the substantive terms and conditions of Natick's model electricity service agreement, including, for example, the requirement to:

- Provide all-requirements service for a fixed price with no pass-through charges
- Allow customers to exit the program at any time with no fee
- Agree to specified customer service standards
- Comply with all requirements of the DPU and the local distribution company

Natick will solicit price bids from suppliers that meet the threshold criteria and agree to the terms and conditions. The Town will request bids for a variety of terms (e.g., one year, two years, and three years) and for power from different sources. If none of the bids is satisfactory, the Town will reject all bids and repeat the call for prices as often as needed until market conditions yield a price that is acceptable to the Town. Natick will only accept a bid that enables it to launch the aggregation with a price that is equal to or less than the Basic Service price.

*ii. RECs for optional green product*

In addition to soliciting bids for power supply that meet the required MA RPS obligation, Natick will solicit bids to supply Renewable Energy Certificates (RECs) for the optional green product. The town will seek bids for RECs from a variety of renewable sources, and will choose the proposal that offers the best combination of environmental benefit and price.

Natick will require bidders to identify the technology, vintage, and location of the renewable generators that are the sources of the RECs. It will also require that the RECs either be created and recorded in the New England Power Pool Generation Information System or be certified by a third party such as Green-e.

**b. Implement public information program, including 30-day opt-out notice**

Once a winning supplier is selected, Natick will implement a public education program.

The delivery of a polished public education plan and associated materials are pivotal to ensuring clarity, participation, and enthusiasm for the aggregation. Natick has already begun to build enthusiasm for and understanding of the aggregation through community-wide events and presentations. As a result, Natick anticipates a high level of awareness about the aggregation by the time the supply contract is signed.

At the time of launch, Natick will amplify this existing awareness. The town will use a variety of communication vehicles to communicate the plan's objectives, the primary terms and conditions of the contract, and the right to opt out at any time.

The public education plan will include both broad-based efforts and a 30-day opt-out notice to be mailed to every customer on basic service.

*i. Broad-based education efforts*

The broad-based efforts will take advantage of traditional media and the Web to ensure as many people as possible learn about the aggregation. Planned elements include:

- An announcement introducing the program and the competitive supplier, which will be sent to media contacts at the *MetroWest Daily News*, *The Boston Globe*, and other outlets identified as valuable by the town
- Dedicated informational Web pages that explain the aggregation plan, community benefits, the opt-out process, and other helpful information. This site will be available during the initial educational outreach and also on an ongoing basis so that customers can find information about the program for its duration.
- A community-wide presentation at the October Town Meeting, open to all town residents, as well as targeted presentations to vulnerable populations such as the senior community
- An inclusion of an announcement about the aggregation in the Town Administrator's quarterly newsletter
- A toll-free customer information and support hotline
- A presentation on the Natick cable access network.
- An informational FAQ for town employees to ensure they can confidently answer any questions that arise.
- Informational documents that mirror the aggregation web page content and can be used as handouts during the community presentations. These materials will also be made available through the web site as downloadable files and in the Town Hall and other public buildings.

A detailed timeline for these efforts will be developed by Natick as the launch gets closer.

*ii. 30-day opt-out notice*

In addition to the broad-based education initiatives, a 30-day opt-out notice will be mailed to every customer on basic service. The notice will have the appearance of an official town communication, and it will be sent in an envelope clearly marked as containing time-sensitive information related to the program. The notice will: (1) introduce and describe the program; (2) inform customers of their right to opt-out and that they will be automatically enrolled if they do not exercise that right; (3) explain how to opt out; and (4) prominently state all program charges and compare the price and primary terms of the Town's competitive supply to the price and terms of NSTAR's basic service. The opt-out notice is attached to this Plan as Appendix C.

The direct mailing will include an opt-out reply card. Customers will have 30 days from the date of the mailing to return the reply card if they wish to opt out of the program. The notice will be designed by Natick and printed and mailed by the competitive supplier, who will process the opt-out replies. The opt-out reply card is attached to this Plan as Appendix D.

**c. Enroll customers and provide service, including quarterly notifications**

After the completion of the 30-day opt-out period, the competitive supplier will enroll into the program all basic service customers that did not opt out. All enrollments and other transactions between the competitive supplier and NSTAR will be conducted in compliance with the relevant provisions of DPU regulations, NSTAR's Terms and Conditions for Competitive Suppliers, and the protocols of the Massachusetts Electronic Business Transactions Working Group.

Once customers are enrolled, the program will provide all-requirements power supply service. The program will also provide ongoing customer service, maintain the program web site, and process new customer enrollments, ongoing opt-outs, opt-back-ins, and customer selections of optional products. Prior to the expiration of the initial power supply agreement, Natick intends to procure a new supply agreement.

As part of its ongoing service, Natick will provide the quarterly disclosure information required by G.L. c. 164, § 1(F)(6) and 220 C.M.R. § 11.06. Like the other Massachusetts aggregations, Natick requests a waiver from the requirement that the disclosure label be mailed to every customer and seeks permission instead to provide the information through alternative means, including press releases, public service announcements on cable television, postings at Town Hall, and postings on the program website. As the DPU has found with other aggregations, this alternate information disclosure strategy will allow Natick to provide the required information to its customers as effectively as quarterly mailings.

Also as part of ongoing operations, Natick intends to coordinate the aggregation program with Natick's Home Energy Initiative, an energy efficiency program that has helped Natick residents to reduce their energy use and cost. The specifics of this coordination will be developed as the aggregation program gets closer to launch. It is anticipated that at a minimum there will be cross marketing whereby aggregation program customers will be encouraged to participate in the Home Energy Initiative and Home Energy Initiative customers will be encouraged to consider the aggregation's optional green product.

### c. Annual report to DOER

On an annual basis, Natick will report to DOER on the status of the program, including number of customers enrolled and opting-out, kilowatt-hour sales, customer savings, participation in green products, and such other information as DOER may request.

### 3. Funding

All of the costs of the program will be funded through the supply contract.

The primary cost will be the competitive supplier's charges for the power supply. These charges will be established through the competitive solicitation for a supplier.

The administrative costs of the program will be funded through a per kilowatt-hour adder that will be paid by the competitive supplier to the Consultant, as specified in the electricity supply agreement (ESA). This fee will cover the services of the Consultant, including developing the aggregation plan, managing the DPU approval process, managing the supply procurement, developing and implementing the public education plan, providing customer support, interacting with the local distribution company, monitoring the supply contract, and providing ongoing reports. This charge has been set initially at \$0.001 per kilowatt-hour and was established through the competitive solicitation that Natick conducted for an aggregation consultant.

### 4. Rate Setting and Other Costs to Participants

As described above, the program's generation charges will be set through a competitive bidding process and will include the administrative adder. Prices, terms, and conditions may differ among customer classes, which will be the same as NSTAR's basic service customer classes.

The program affects only customers' electricity supply charges. Delivery charges will be unchanged and will continue to be charged by NSTAR in accordance with tariffs approved by the DPU.

Participants will receive one bill from NSTAR that includes both the electricity supply charge and NSTAR's delivery charges.

### 5. Method of Entering and Terminating Agreements with Other Entities

Natick's process for entering, modifying, enforcing, and terminating all agreements associated with the plan will comply with the Town's charter, federal and state law and regulations, and the provisions of the relevant agreement.

### 6. Rights and Responsibilities of Program Participants

All participants will have the right to opt out of the program at any time without charge. They may exercise that right by any of the following: 1) calling the Competitive Supplier's 800 number; 2) contacting NSTAR and asking to be returned to basic service; or 3) enrolling with another competitive supplier.

All participants will have the consumer protection provisions of Massachusetts law and regulations, including the right to question billing and service quality practices. Customers will be able to ask questions of and register complaints with the Town, Consultant, the competitive supplier, NSTAR, and the DPU. As appropriate, the Town and Consultant will direct customer complaints to the competitive supplier, NSTAR, or the DPU.

Participants will be responsible for paying their bills and for providing access to metering and other equipment necessary to carry out utility operations.

## 7. Extension or Termination of Program

Prior to the end of the term of the initial ESA, Natick will solicit bids for a new supply agreement and plans to continue the program with the same or a new competitive supplier.

Although the Town is not contemplating a termination date, the program could be terminated upon the termination or expiration of the ESA without any extension, renewal, or negotiation of a subsequent supply contract, or upon the decision of the Town Administrator to dissolve the program effective on the end date of any outstanding supply agreement. In the event of termination, customers would return to NSTAR's basic service unless they choose an alternative competitive supplier.

Natick will notify NSTAR of the planned termination or extension of the program. In particular, Natick will provide NSTAR notice: (1) 60 days prior to a planned termination of the program; (2) 90 days prior to the end of the anticipated term of the program's ESA; and (3) four business-days after the successful negotiation of a new electricity service agreement.

## III. Substantive Requirements

The Municipal Aggregation Statute also requires that the aggregation plan satisfy three substantive requirements:

- Universal access
- Reliability
- Equitable treatment of all customer classes

Natick's program will satisfy all three requirements, as discussed below.

### 1. Universal Access

The plan provides for universal access by guaranteeing that all customer classes will be included in the program under equitable terms.

Most importantly, all customers will have access to the program. All existing basic service customers will be automatically enrolled in the program unless they choose to opt out.

As new customers move into Natick, they will automatically be enrolled in the aggregation program. They will then receive an opt-out notice and be able to opt-out of the program if they choose to do so.

New customers will be enrolled at the same price as the existing customers, with the exception of new Very Large C&I Customers ("VLC&I Customers"). New VLC&I Customers are defined as any customer that is on the utility's largest rate class and has historical or projected consumption in excess of 1,000,000 kWh per year. These customers, if any, will be enrolled at a price that reflects market prices at the time of enrollment.

All customers will have the right to opt out of the program at any time. Customers that opt out will have the right to return to the program at a price that reflects market prices at the time of their return.

### 2. Reliability

Reliability has both physical and financial components. The program will address both through the ESA with the competitive supplier. From a physical perspective, the ESA commits the competitive supplier to provide all-requirements power supply and to use proper standards of management and operations (ESA, Article 2.) The local distribution company will, of course, remain responsible for delivery service, including the physical delivery of power to the consumer, maintenance of the delivery system, and restoration of power in the event of an outage. From a financial perspective, the ESA requires the supplier to pay actual damages for any failure to provide supply at the contracted rate (i.e., to pay the difference between the contract rate and the utility supply rate). The ESA requires the competitive supplier to maintain insurance (ESA, Article 16) and the RFP for a competitive supplier will require that an investment-grade entity either execute or guarantee the ESA. Accordingly, the program satisfies the reliability requirement of the statute.

### 3. Equitable Treatment of all Customer Classes

The Aggregation Statute requires “equitable” treatment of all customer classes. The DPU has determined that this does not mean that all customers must be treated “equally,” but rather that similarly-situated classes be treated “equitably.” In particular, the DPU has allowed variations in pricing and terms and conditions between customer classes to account for the disparate characteristics of those classes.

The program makes four distinctions between groupings of customers. First, the program will distinguish among customer classes (residential, small business, medium and large business) by soliciting separate pricing for each of those classes. The program will use the same customer classes that NSTAR uses for its basic service pricing.

Second, the program will distinguish between customers receiving the standard product and customers that affirmatively choose an optional product, such as a green product. Customers selecting the optional product will be charged the price associated with that product.

Third, the program will distinguish between customers that join the program through an opt out process and customers that join by opting in. Customers that join through an opt-out process include the initial customers and customers that move into Natick after the program start-date. These customers will receive the standard program pricing. Customers that join by opting in include two types of customers: a) customers that did not become part of the program initially because they were being served by a competitive supplier but then later seek to join the program; and b) customers re-joining the program after having previously opted out. These “opt in customers” will be offered a price based on then-current market rates rather than the standard contract price. This distinction is designed to limit incentives for frequent switching back and forth between the program and basic service.

Finally, as described above under “Universal Access,” among New Customers, the program will distinguish between a) New VLC&I Customers, and b) all other New Customers. The program will offer New Customers other than New VLC&I Customers the standard contract pricing. However, the program will offer new VLC&I Customers pricing based on market prices at the time the customer seeks to join the aggregation.



#### IV. PLANNED SCHEDULE

Milestone	Date Estimate
RFP for competitive supplier issued	December 1, 2013
Electricity Supply Agreement executed	December 31, 2013
Broad-based educational campaign begins, including the announcement of supply contract and pricing and the launch of program web site.	January 4, 2014
Opt-out notice mailed to customers	January 15, 2014
Opt-out deadline	February 15, 2014
Supplier submits customer enrollment requests to local distribution company	February 26, 2014
Service begins as of each customer's next meter read date	March 1, 2014

The planned schedule is presented for illustrative purposes. The final schedule will be established when the Town receives regulatory approval.

#### V. CONCLUSION

The Natick Community Choice Program meets all of the requirements of the municipal aggregation statute, including providing universal access and a reliable power supply and treating all customer classes equitably. Natick looks forward to the approval of this plan by the DPU so that the town can launch the program and bring the benefits of low cost power, renewable energy, and electricity choice to its residents and businesses.

## APPENDIX A

### Minutes of Town Meeting Vote

## APPENDIX B

### Customer Enrollment, Opt-Out, and Opt-In Procedures

The following protocols describe the procedures for customer enrollment, opt out, and opt in. The protocols are designed to be consistent with the Local Distribution Company's Terms and Conditions for Competitive Suppliers. In the event of a conflict between these protocols and those Terms and Conditions, the Terms and Conditions shall govern.

#### 1. Pre-Enrollment Opt-Out Notice, Pre-Enrollment Opt-Out Procedure, and Initial Enrollment

##### 1.1. Opt-Out Notice and Reply Card

- 1.1.1. The Town shall design an Opt-Notice informing customers of the aggregation and their right to opt out and an Opt-Out Reply Card that customers may mail to exercise their opt-out right.
- 1.1.2. The Competitive Supplier shall print the Opt-Out Notice and Opt-Out Reply Card.

##### 1.2. Customer List

- 1.2.1. After approval by the Department of Public Utilities and execution of the electric service agreement ("ESA") with a Competitive Supplier, the Local Distribution Company will electronically transmit the name, address, and existing power supply option (i.e., Basic Service or competitive supply) of each eligible consumer to the Town's designated Competitive Supplier to facilitate the notification and opt-out requirements of the program.

- 1.3. **Opt-Out Mailing.** Within five (5) business days of receiving the Customer List, the Competitive Supplier shall mail the Opt-Out Notice and Opt-Out Reply Card to all Basic Service customers in the Town.

- 1.4. **Customer Opt-Outs.** During the period of thirty (30) days from the date of the postmark of the Opt-Out Notice, customers may opt-out of the aggregation by:

- 1.4.1. Mailing the opt-out reply card to the Competitive Supplier; or
- 1.4.2. Calling the Competitive Supplier's customer service number and requesting to opt out.

##### 1.5. Customer Enrollment and Commencement of Generation Service

- 1.5.1. Within five (5) business days after the conclusion of the 30-day opt-out period, the Competitive Supplier shall submit an "enroll customer" transaction to the LDC for all Basic Service customers in the Town that did not opt out, pursuant to section 1.4.1 or 1.4.2.
- 1.5.2. Subject to the LDC's Terms and Conditions for Competitive Suppliers, generation service will commence as follows:
  - 1.5.2.1. On the customer's next scheduled meter read, for customers with meter read dates at least two business days after the date of the enrollment transaction;

1.5.2.2. On the customer's subsequent scheduled meter read, for customers with meter read dates less than two business days after the date of the enrollment transaction;

**1.6. Report to Town.** Within five (5) business days after sending the "enroll customer" transactions, the Competitive Supplier shall provide the Town with the Customer List, with fields added for each customer indicating the date the Opt-Out Notice was mailed, whether the customer opted out, and if so the date, and whether an enrollment transaction for the customer was submitted to the LDC, and if so the date.

**1.7. Undeliverable Opt-Out Notices.** If any Opt-Out Notices are returned as undeliverable, the Competitive Supplier shall make Commercially Reasonable Efforts to identify a correct mailing address and re-send the notice. If the second Opt-Out Notice is not returned, and if the customer does not opt-out within thirty (30) days from the date of the postmark of the second mailing, the Competitive Supplier shall submit an enrollment transaction for the customer no less than five (5) business days after the conclusion of the 30-day opt-out period.

## **2. New Customers**

2.1 New Customers are customers that become customers of the LDC after the date of the initial opt-out notice, for example because they moved into the town.

2.2 When a new eligible customer first moves into the Town, the eligible customer will be enrolled automatically in the Program upon initiation of electric distribution service, subject to the customer's right to opt-out of the program as described in Section 2.5. However, if the customer is moving from another service address within the LDC's service area and had previously chosen an alternative supplier, then that supplier will be carried-forward to the customer's new service address. Enrollment will occur pursuant to the rules and procedures set forth in the EBT Working Group Report.

2.3 The LDC will inform the Competitive Supplier of newly-enrolled consumers by submitting Auto-Enroll New Customer 814-AE transactions.

2.4 The Competitive Supplier shall mail the Opt-Out Notice and Reply Card to all New Customers no less than thirty (30) days after receiving notice of such Customers from the LDC.

2.5 New Customers may opt-out of the program by returning the Reply Card or by using any of the opt-out methods described in Section 3.

## **3. Opt-Out After Initial Enrollment**

**3.1. Opt-Out Procedure.** Subsequent to enrollment, a customer may elect to opt out of receiving generation service through the aggregation as follows:

- 3.1.1. By calling the Competitive Supplier’s customer service number and requesting to opt-out, in which case the Competitive Supplier shall submit a “supplier drops customer” transaction to the LDC within one (1) business day;
  - 3.1.2. By calling the LDC and requesting to be returned to Basic Service, in which case the LDC shall submit a “customer drops supplier” transaction; or
  - 3.1.3. By enrolling with an unrelated competitive supplier, in which case the unrelated competitive supplier shall submit an “enroll customer” transaction to the LDC.
- 3.2. Effective Date.** The intent is that a customer that opts out will no longer receive Generation service through the aggregation as of:
- 3.2.1. the customer’s next scheduled meter read, for customers with meter read dates at least two business days after the date of the drop or enrollment transaction;
  - 3.2.2. the customer’s subsequent scheduled meter read, for customers with meter read dates less than two business days after the date of the drop or enrollment transaction.

#### **4. Opt-In Procedure**

##### **4.1. Applicability**

- 4.1.1. Customers not being served by the aggregation may opt in at any time.
- 4.1.2. The opt in procedure applies to the following customers:
  - 4.1.2.1. customers that were once enrolled in the aggregation and opted out; and
  - 4.1.2.2. customers that were not previously enrolled in the aggregation because they opted-out before being enrolled or were served by a competitive supplier at the inception of the program.

##### **4.2. Prices**

- 4.2.1. Prices for opt-in customers shall be at prevailing market rates at the time of the opt in. Unless this requirement is waived by the Town, the end date of any opt-in contract shall be coterminous with end date of the Standard Product.
- 4.2.2. The Competitive Supplier shall notify the Town of all prices offered to opt-in customers.

##### **4.3. Opt-in Process.**

- 4.3.1. Customers may opt in to the aggregation by calling the Competitive Supplier’s customer service number and requesting to opt in.
- 4.3.2. The Competitive Supplier shall fully disclose to the customer the price and all other terms and conditions of service. If the customer agrees to the price and terms and conditions, the Competitive Supplier shall submit an “enroll customer” transaction to the LDC within five (5) business days.

#### **5. Optional Products**

- 5.1. Prior to enrollment, Customers may elect an Optional Product by calling the Competitive Supplier's customer service number. The Competitive Supplier shall enroll customers making such an election on the Optional Product.
- 5.2. Customers enrolled in the program may elect an Optional Product, or a return to the Standard Product, by calling the Competitive Supplier's customer service number. Within five (5) business days after a customer makes such an election, the Competitive Supplier shall submit a "change supplier data" transaction to the LDC to make the change in the customer's rate option.

## APPENDIX C

### Opt-Out Notice

## APPENDIX D

### Opt-Out Reply Card