

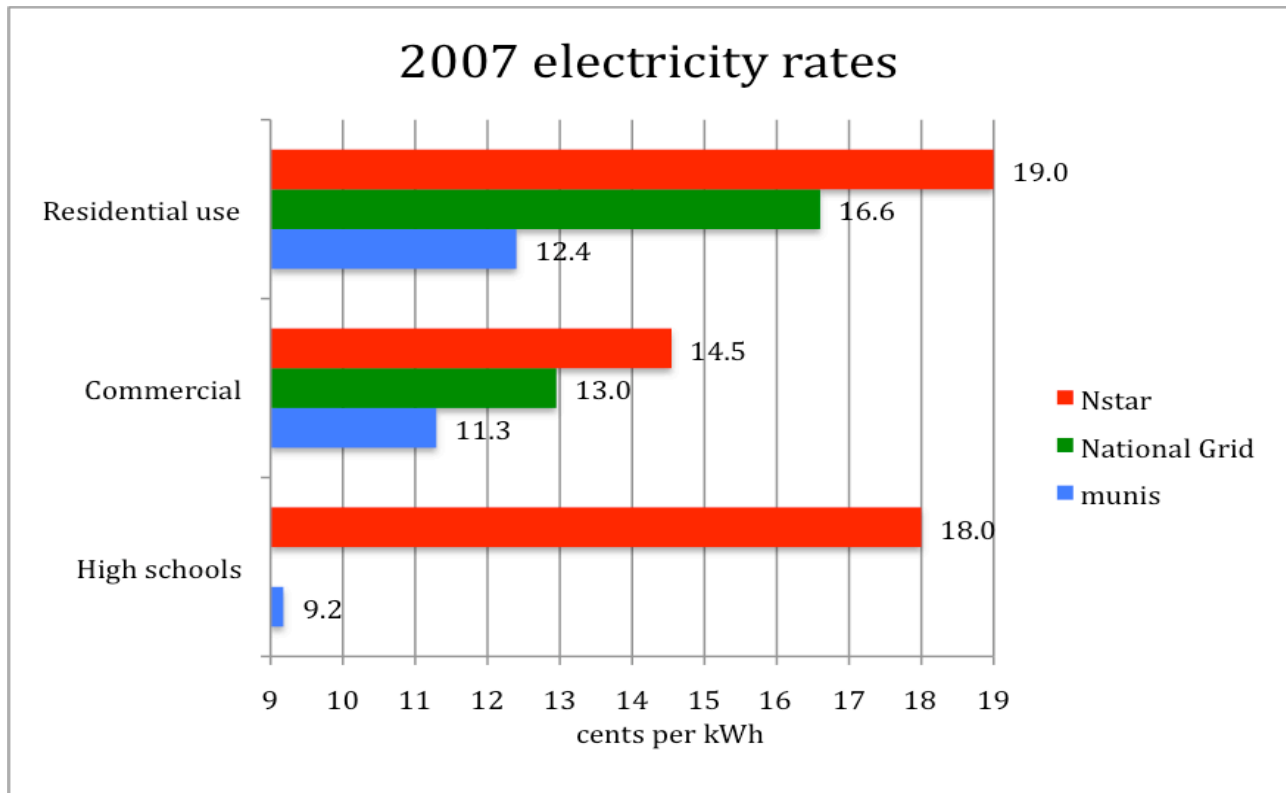
Municipal electric utilities charge less than NStar or National Grid

LEXINGTON – If NStar charged for electricity at the same rate as municipal electric utilities (or “munis”), Massachusetts residents would save each year about \$400 million, and Massachusetts businesses and public facilities (schools, hospitals, etc) about \$300 million. Peabody, Reading, Shrewsbury, Norwood, Taunton, Concord, Wellesley and other towns already are served by munis.

A review of 2007 electricity costs at several dozen Massachusetts stores of a major supermarket retailer demonstrates the large price differential.

The stores were served by NStar, National Grid and munis. Each store used around 2,500,000 kWh (kilowatt-hours) of electricity, about as much as 400 homes.

Total electricity cost in stores served by munis was 11.3 cents per kWh. Stores served by National Grid paid 13.0 cents per kWh (14.7% more than the munis). Stores served by NStar paid 14.5 cents per kWh (28.8% more than the munis). If all its stores had paid the lower muni rates, this retailer’s 2007 electricity costs would have been reduced by about \$5 million.



Supermarkets are not the only group that pays more to National Grid and NStar:

- in 2007, a home’s monthly use of 500 kWh cost \$62 from munis but \$95 from NStar (53% more) and \$83 from National Grid (33% more) continuing a long trend (www.massmunichoice.org)

- during the 2006-2007 school year, three high schools served by munis paid on average 9.2 cents per kWh, while nine high schools served by NStar paid on average 18.0 cents per kWh, or 96% more (www.massmunichoice.org/High_Schools_electricity_costs_press_release_01-14-2008.pdf).

According to data filed with federal regulators, NStar's 974,000 Massachusetts residential customers each used an average of 566 kWh per month in 2007. Those customers paid NStar about \$436 million more in 2007 than they would have been charged by the average Massachusetts muni. (see note 1).

Each utility has a different mix of commercial, industrial, government and institutional customers, and a different set of rate structures for various customer types, so it is difficult to compare aggregate non-residential bills across utilities. But even assuming that the average difference in non-residential rates was just 2 cents per kWh (much smaller than the 3.2 cents per kWh difference for the supermarkets or the 8.8 cent difference for the schools), the 15.1 billion kWh used by NStar's non-residential customers would have cost \$302 million less at the muni rates (see note 2).

In total across Massachusetts, NStar's rates are higher than munis' by more than \$700 million per year.

Paul Chernick, Chair of the Lexington Electric Utility Ad-hoc Committee commented "This comparison of commercial rates for a major Massachusetts retailer demonstrates the breadth of benefits from municipal utilities. All types of customers — homeowners, businesses and governments — pay less if they are served by munis than NStar. NStar's high rates amount to a burden on the Massachusetts economy. Munis have less bureaucracy, more local focus, higher efficiency and no need to earn profits for shareholders."

Chernick added "We hope the Legislature will allow new munis in Massachusetts by enacting Bill H3319 as soon as possible. Over 115 cities, towns and organizations in the State, including the Massachusetts Municipal Association, endorse this bill, which is co-sponsored by 53 legislators. Once it is passed, towns and cities can seriously consider whether to form munis and as importantly, NStar will need to improve its efficiency and responsiveness if it intends to retain its service territory."

Under the Green Communities Act signed today by Governor Deval Patrick, the Department of Energy Resources will perform this year a study of the fiscal impact, viability, barriers to and long-term results of establishing new munis in Massachusetts. That study should clear up some misconceptions about munis, and ease the way for formation of new munis.

Notes: (1) 974,000 accounts x 566 kWh/month x 12 months x \$(0.19 - 0.124) rate difference NStar vs. munis per kWh = \$436 million; (2) 15.1 billion kWh x \$0.02 per kWh = \$302 million

About the Lexington Electric Utility Ad-hoc Committee

The Lexington Electric Utility Ad-hoc Committee was established by the Lexington Board of Selectmen in 2002 to evaluate options available to improve the reliability and reduce the cost of electric service in town. Paul Chernick chairs the Committee.

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