PRE-FILED DIRECT TESTIMONY

OF

NICOLE HOWARD, RASHEEDA DAVIS, KARSTEN BARDE, AND LAURI MANCINELLI

Customer Panel

TABLE OF CONTENTS

TESTIMONY OF THE CUSTOMER PANEL

NICOLE HOWARD, RASHEEDA DAVIS, KARSTEN BARDE, AND LAURI MANCINELLI

I. Introduction and Qualifications

Q. Please introduce the members of the Customer Panel.

A. The Customer Panel is comprised of Nicole Howard, Rasheeda Davis, Karsten Barde, and Lauri Mancinelli.

Q. Ms. Howard, please state your name and business address.

A. My name is Nicole Howard. My business address is 2 Hanson Place, Brooklyn, NY 11217.

Q. By whom are you employed and in what capacity?

A. I am employed by National Grid USA Service Company, Inc. ("NGSC") as Vice President of Customer Strategy and Growth. NGSC provides engineering, financial, administrative, and other technical support to subsidiary companies of National Grid USA, including Massachusetts Electric Company ("Mass. Electric") and Nantucket Electric Company ("Nantucket Electric") each d/b/a National Grid (together, the "Company").

Q. What are your principal responsibilities in your position?

A. In my position, my responsibilities include overseeing the strategic execution of customer objectives across all National Grid USA operations in the U.S., including Mass. Electric and Nantucket Electric. I am responsible for overseeing customer experience strategy, market intelligence and customer analytics, segmentation and strategic market development, marketing and customer communications, web content and social media channel management, customer experience products and programs, e-commerce, rapid results, and office of the president.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Arts degree in Legal Studies from the University of California, Berkeley, in 1998. In 2003, I received a Master of Public Administration degree from California State University Dominguez Hills. I joined Sacramento Municipal Utility District in 2002 and for more than eighteen years held several roles of increasing responsibility in customer operations, distribution services, procurement and supply chain services, culminating as Chief Customer Officer in February 2015. In this role, I was responsible for corporate and customer communications, marketing, public relations, community engagement, supplier diversity, economic development, and all customer functions, including retail strategy, advanced energy solutions and financing, customer service programs, billing, credit and collections, revenue protection, and contact center operations. In November 2020, I joined Southern California Edison ("SCE") as Vice President of Customer Programs and Services, where I was responsible for the strategy, planning and delivery of SCE's energy efficiency ("EE"), demand response, electrification, and clean self-generation products and programs, as well as customer strategy, marketing, e-commerce, customer emergency response planning, climate equity, and strategic alliance functions. In 2021, I joined National Grid USA in my current position.

Q. Have you previously testified before the Department of Public Utilities (the "Department") or any other regulatory commissions?

A. No, I have not previously testified before the Department or any other regulatory commissions.

Q. Ms. Davis, please state your name and business address.

A. My name is Rasheeda Davis. My business address is 2 Hanson Place, Brooklyn, NY 11217.

Q. By whom are you employed and in what capacity?

A. I am employed by NGSC as Director of Market Segmentation and Growth.

Q. What are your principal responsibilities in your position?

A. In my position, my responsibilities include examining the various market segments, i.e., residential, commercial and industrial ("C&I"), low- to moderate-income, and small and medium business at a micro level. The Market Segmentation and Growth team executes the fourth pillar of the U.S. Customer Strategy. This team tells the customer story as it relates to the market needs and wants by identifying the gaps and developing segmentation plans and utilizing customer verbatims and propensity models to drive product adoption.

By leveraging segment analysis, the Market Segmentation and Growth team is reimagining National Grid's product portfolio and go-to market strategies.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Science degree in Management in 2004 and a Master of Business Administration in Management in 2006 from Florida Agricultural and Mechanical University. Additionally, in 2014, I received a Master of Public Administration in Healthcare Policy and Management from New York University. The majority of my career prior to National Grid has been in the healthcare industry in pharmaceuticals and health insurance. I was employed by Horizon Blue Cross Blue Shield for four years, in which I initially served as an internal consultant to senior leadership on a diversity of high-level projects across the enterprise. In 2019, I was promoted to the Director of Pharmacy Special Projects, in which I was the subject matter expert for all pharmacy drug cost transparency initiatives for the enterprise and its health partners. I evaluated and provided recommendations about new technologies, led the implementation of these technologies, and developed strategies for maximum growth and savings. I joined National Grid in 2021 as the Director of Commercial Portfolio Performance, where I was responsible for partnering with the product management teams – Clean Transportation, Distributed Energy Resources, and Customer Energy Management – to ensure their success and commerciality of products. This role entailed evaluating National Grid USA's current products, services, Earnings Adjustment Mechanisms, and Performance Incentive Mechanisms ("PIMs"), then identifying strategies to increase earnings and utilization. I assumed my role as the Director of Market Segmentation and Growth in April 2022.

Q. Have you previously testified before the Department or any other regulatory commissions?

A. No, I have not previously testified before the Department or any other regulatory commissions.

Q. Mr. Barde, please state your name and business address.

A. My name is Karsten Barde. My business address is 170 Data Drive, Waltham, Massachusetts 02451.

Q. By whom are you employed and in what capacity?

A. I am employed by NGSC as Director of U.S. Policy and Regulatory Strategy.

Q. What are your principal responsibilities in your position?

A. In my position, my responsibilities include analyzing public policy and advising National Grid's operating companies on the immediate and potential future business and customer impacts of public policy, with a particular focus on climate and clean energy transition issues. My work includes electric transportation, grid modernization, distributed generation, building decarbonization, future of gas, and energy affordability and equity, among other issues. I also support the National Grid companies' work on public policy topics and engaging with policy stakeholders in emerging areas of interest.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Arts degree in Geography and Government from Dartmouth College in 2004. In 2011, I received a Master of Business Administration degree with a focus on Strategy and Sustainability from Tuck School of Business at Dartmouth College. I joined Pacific Gas and Electric Company in 2011 and held roles in the Electric Technology and Information Strategy, Electric Operations Technology, and Energy Procurement groups. I have worked at National Grid for nine years in a variety of roles, including new product development, customer strategy, and regulatory strategy. In 2014, I joined National Grid as a Principal Program Manager in the Emerging Markets Strategy (New Energy Solutions) group. I was promoted to Acting Manager of New Customer Offerings in September 2017, before becoming the Principal Program Manager in the Regulatory and Customer Strategy department. In January 2021, I became a Principal Analyst, U.S. Policy and Regulatory Strategy. I assumed my current role as Director of U.S. Policy and Regulatory Strategy in April 2022.

Q. Have you previously testified before the Department?

A. Yes. I testified before the Department in D.P.U. 17-13, where I served as principal witness for the Phase 1 Electric Vehicle program. I have also testified before the New York Public Service Commission ("NYPSC") and the Rhode Island Public Utilities Commission. Most recently, I testified before the NYPSC as a witness for the Climate Leadership and Community Protection Act Panel of the Brooklyn Union Gas Company and KeySpan Gas East Corporation's gas distribution rate cases in Case Nos. 23-G-0225 and 23-G-0226.

Q. Ms. Mancinelli, please state your name and business address.

A. My name is Lauri Mancinelli. My business address is 170 Data Drive, Waltham, Massachusetts 02451.

Q. By whom are you employed and in what capacity?

A. I am employed by NGSC as Principal Analyst, Regulatory Strategy.

Q. What are your principal responsibilities in your position?

A. In my position, my responsibilities include developing and executing regulatory strategies for National Grid's operating companies, including Mass. Electric and Nantucket Electric, in areas such as rate design, electrification, distributed energy resources, and clean energy transition, among other areas.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Arts degree in Economics from Bates College in 2000. In 2007, I received a Master of Environmental Management, Environmental Economics and Policy degree from the Duke University Nicholas School of the Environment. From 2007 through 2012, I worked in various consultant roles focusing on energy and the environment, including at Charles River Associates and Synapse Energy Economics. From April 2012 to June 2015, I worked at Belmont Municipal Light Department as an Energy Resources Manager, where I worked to develop energy resources policies and customer-facing programs. In June 2015, I joined National Grid as a Lead Analyst in the Regulatory Strategy group and was promoted to Principal Analyst in 2018.

Q. Have you previously testified before the Department or any other regulatory commissions?

A. No, I have not previously testified before the Department or any other regulatory commissions.

II. Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to introduce several customer-focused proposals expected to improve customer affordability and enhance customer experience. First, the Company is seeking approval of a series of proposals to address energy affordability and equity for its low-income customers. These proposals are centered around a multi-tiered low-income bill discount for customers on Residential Low-Income Retail Delivery Service Rate R-2 ("Rate R-2") based on income levels, with five discount tiers ranging from a low of 32 percent to a high of 55 percent depending on the customer's income bracket ("Low-Income Discount"). In addition, the Company is seeking an incremental $3 million per year so that the Company can provide targeted education and outreach to low-income customers and increase low-income program enrollment. The Company is also seeking to add an incremental 10 full-time equivalents ("FTEs"), who will be dedicated low-income resources to help increase participation, assist customers, develop and execute low-income strategies, process customer applications, and implement the Rate R-2 discount. The Company also proposes to implement a symmetrical performance incentive based on customer enrollment growth in Rate R-2. The Company proposes to recover all proposed low-income program costs, including the hiring of the incremental FTEs, through the existing Residential Assistance Adjustment Factor ("RAAF"), rather than through base rates.

Second, the Company is proposing the addition of a Customer Account Management organization to provide increased education, outreach, and engagement for commercial, industrial, and institutional customers. The Customer Account Management proposal is seeking the addition of 23 FTEs to serve as the primary point of contact at National Grid for the account management needs of large end-use customers, national accounts, municipal and governmental accounts, property managers, real estate developers, and distributed generation ("DG") developers.

Third, the Company is proposing to implement a new "Electrification Pricing" option within the residential customer class that will be made available on an opt-in basis to all customers on the Company's Residential Regular Retail Delivery Service Rate R-1 ("Rate R-1"). Under Electrification Pricing, the per kilowatt-hour ("kWh") base distribution charge is replaced with a fixed distribution charge, while all other charges – including the customer charge, all surcharges and adjustment factors included in the distribution line item on the bill, transition charge, EE charge, renewables charge, distributed solar charge, electric vehicle program factor, transmission charge, and basic service supply or competitive supply charges – remain as applicable on Rate R-1. The proposed Electrification Pricing option is designed to support electrification in the Commonwealth, as well as to provide customers with options for affordability and bill stability. The Electrification Pricing option also serves as an incremental first step toward more cost-reflective rate design as the Company works toward Advanced Metering Infrastructure ("AMI")-enabled innovative rate designs.

Q. How is your testimony organized?

A. Our testimony is organized into the following sections. Sections I and II are the introductory sections of our testimony. Section III provides an overview of the Customer organization. Section IV presents the Company's proposals to better support energy affordability for low-income residential customers. Section V discusses the Company's proposal to create a new Customer Account Management organization focused on commercial customers. Section VI presents the Company's proposed opt-in Electrification Pricing open to all Rate R-1 customers. Section VII is the conclusion.

Q. Are you sponsoring any exhibits as part of your testimony in this case?

A. Yes. We are sponsoring the following exhibits in our testimony:

Exhibit	Description
Exhibit NG-CP-1	Testimony of Customer Panel
Exhibit NG-CP-2	Rate R-2 Implementation Cost Summary
Exhibit NG-CP-3	Low-Income Discount Tier Design Analysis
Exhibit NG-CP-4	LMI Market Segment Ethnography Study
Exhibit NG-CP-5	Customer Enrollment in Existing Assistance Programs
Exhibit NG-CP-6	Low-Income Dedicated FTE Job Descriptions
Exhibit NG-CP-7	Outreach and Education Program Proposal

III. <u>Customer Organization</u>

Q. What is the role of the Customer organization?

A. National Grid's Customer organization supports the Company in serving its residential and C&I customers. The Customer organization often serves as the direct point of contact for the Company's customers, including low-income customers, residential customers, and C&I customers, among others. Its mission is to uphold customers' desire for safe, reliable, and affordable energy and act as a partner in the clean energy transition. With customer expectations quickly evolving, the Customer organization is focused on continually improving how to meet customers' service and energy-related needs in an efficient manner. The Customer organization strives to interact in a transparent, proactive, personalized, and relevant way for the Company's customers, working together with all National Grid employees to do everything with the customer in mind.

Q. What is the structure of the Customer organization?

A. The Customer organization includes a variety of departments that serve various aspects of the customer experience, including:

- Contact Centers, which deliver the majority of the Company's direct customer service interactions and queries.
- Billing, Collections, Controls, and Compliance, which is responsible for timely and accurate billing, processing of payments, and minimizing of bad debt for the Company's customers, and also for overseeing implementation of rate plans, billing models – including complex billing – and process automation.
- Sales and Solutions, which delivers energy solutions to C&I, residential, and low-income customers across the Company's service territory.
- EE Program Management, which delivers EE by connecting the market, the Company's activities, and customer expectations.
- Customer Strategy and Growth, which provides marketing and strategic services, such as market intelligence, customer insights, customer communications, segmentation strategy, and consultation, to ensure the Company is being Customer Centric and implementing data driven solutions to increase enrollment and awareness of the Company's products and programs.
- Transformational Programs, which is responsible for designing, developing, and implementing large foundational programs to build the business and Information Technology ("IT") capabilities necessary to deliver greater value to customers and an improved experience.
- Planning and Performance, which oversees strategic planning initiatives, tracks project milestones, and measures the performance of the Customer group through the creation of departmental metrics.

Q. What are the key strategies and initiatives of the Customer organization?

A. In the utility sector and beyond, customer expectations have undeniably increased. Customers expect the Company to keep electricity flowing with minimal interruptions. Customers also expect new and existing service requests to be seamless and well-coordinated with internal transactions by the Company and periodic communications back to the customer in a reasonable timeframe and in a variety of mediums. National Grid's "Customer Transformation" strategy focuses on customer centricity as the key to success. Customer centricity includes fixing key recurring issues, advancing digital channels, transforming the Company's relationship with business customers, and growth through bundled offerings and additional customer products aligned with customer segments. The Company strives to deliver a better holistic customer experience, while also addressing the affordability pressures customers experience on a daily basis, not only through inflation and general market conditions, but also those driven by the investments needed to support a clean energy transition.

As part of its overall "Customer Transformation" strategy, National Grid instituted six strategic priorities: (1) to improve the technical foundation; (2) to drive operational excellence; (3) to establish digital-first solutions; (4) to grow program reach and impact through improved segmentation and engagement; (5) to foster a culture of customer centricity; and (6) to enhance controls and risk management. These priorities support the goals of improving customer satisfaction and enabling customer uptake of energy solutions.

National Grid is committed to placing the Customer and Community at the heart of its business. Through its future initiatives, National Grid aims to make a step change in its customer centricity. These initiatives focus on inclusion of front-line employees in customer centricity, addressing key recurring customer "pain points," advancing the Company's digital channels, and transforming the Company's relationship with business customers. All this will be underpinned by strengthening two-way communication – both among Company employees, and with its customers. More broadly, executing on these initiatives will deepen customers' trust and willingness to engage with the Company, and programs that support customer needs and adoption of clean energy technologies and solutions, strengthen the Company's community and regulatory engagement to be more responsive to and reflective of customer needs, and ensure that no customers are left behind as the Company leads the energy transition.

The six strategic priorities of the Customer Transformation strategy are as follows. First, the Company aims to improve the technical foundation. The major initiatives of this priority include: (1) modernize the Company's legacy back-end systems; (2) strengthen the Company's call center technology; (3) deliver the Company's Unified Web Portal which will deliver a modern customer web portal experience and simplify transactions; and (4) build a central Customer Data Platform to simplify access to customer data.

Second, the Company will drive operational excellence through its Zero-Based Redesign program. Here, the Company will optimize the service delivery model through back-office modernization; strengthen the Company's core capabilities to drive operations performance; and streamline processes, including increased automation to save manual hours and average handle time.

Third, the Company will look to establish digital-first solutions. Here, the Company aims to execute its digital product operating model, with an increased shift to digital ways of working. Additionally, the Company will build out AMI to drive energy insights and solutions for our customers.

Fourth, the Company aims to grow through segmentation and go-to-market strategy. National Grid will operationalize account management along with organizing and executing product development based on segments using the analytics data it possesses on its customers. This will help the Company reimagine the product portfolio, with the goal of creating a bundle of products with compelling value propositions that will meet each segments' needs.

Fifth, National Grid will look to foster a culture of customer centricity in the following ways: (1) embedding this culture change into ways of working; (2) driving the voice of the customer into the operating model; and (3) by enabling a 360-degree view of the customer to meet their evolving expectations.

Lastly, National Grid will look to enhance controls and manage risk by: (1) cultivating a culture of compliance; (2) preventing, detecting, and mitigating any ethical and regulatory risks; and (3) by implementing policies and procedures that monitor and prevent non-compliance.

Q. Does the Customer organization anticipate addressing the challenges relating to the implementation of clean energy goals and the clean energy transition?

A. Yes. The Company is committed to addressing climate change and advancing clean energy solutions for its customers. With the challenges presented by climate change and the expanded electrification of the economy and our customers' daily lives, more is needed from the Company and its customers to meaningfully change the current climate trajectory. Additionally, the Commonwealth issued a formal determination letter establishing net-zero greenhouse gas ("GHG") emissions as the Commonwealth's new legal emission limit for 2050, and an 85 percent emission reduction below the 1990 level as a target.[1] This includes sector-specific emissions sublimits, including sublimits for electric power, residential heating and cooling, C&I heating and cooling, and transportation.

Further, the Commonwealth's investor-owned electric distribution companies are each required to develop and file with the Department an Electric Sector Modernization Plan ("ESMP") to support the clean energy transition, building and transportation electrification, GHG emissions reductions, and increased system reliability and resiliency for weather and disaster-related risks through distribution system improvements. Once approved, the Company's ESMP likely will direct additional electric distribution system

[1] Commonwealth of Massachusetts, Executive Office of Energy and Environmental Affairs, "Determination of Statewide Emissions Limits for 2050" (issued April 22, 2020).

investments, as well as new or enhanced customer offerings and interaction opportunities that the Company will implement. More details regarding the Company's ESMP, which it has named the "Future Grid Plan," is provided in the pre-filed direct testimony of the Comprehensive Performance and Investment Plan ("CPI Plan") Panel, at Exhibit NG-CPIP-1.

While network and program investments are necessary to support the clean energy transition, the Company recognizes that they will lead to increased costs for customers. Low-income customers, who already experience high energy burdens, are the most vulnerable to these increasing costs. The Company's proposals in this rate filing are intended to support low-income customers to address this challenge, including through the Low-Income Discount and additional resources to assist low-income customers with accessing available programs; increased and improved outreach and education to C&I customers through the Customer Account Management program; and a new Electrification Pricing option to support the Commonwealth's electrification goals, while also helping with affordability and rate stability for residential customers.

Q. Is the Company proposing any performance incentive mechanisms, or "PIMs," related to customer engagement as part of its Performance-Based Ratemaking ("PBR") proposal in this case?

A. Yes. In the pre-filed direct testimony of the CPI Plan Panel, at Exhibit NG-CPIP-1, the Company is proposing two PIMs related to its customer engagement efforts, and one PIM addressing affordability for low-income customers. First, the Company is proposing a PIM for Digital Customer Engagement to increase the number of transactions that are self-served by customers. The Company's goal for this PIM is to reach 10 million digital transactions per year over the five-year term of the CPI Plan, with a deadband of 9 million to 11 million digital engagement transactions each year. Any performance that achieves greater than 11 million digital transactions per year will earn an incentive of $0.25 per digital engagement transaction up to a maximum of $500,000 for 13 million digital transactions in any given year. Similarly, any performance that results in less than 9 million digital transactions will pay a penalty of $0.25 per digital engagement transaction, up to a maximum penalty of $500,000 for 7 million digital transactions. If this PIM is implemented, it will benefit customers by providing customers the ability to seamlessly conduct transactions with the Company. The Company will continue to drive value, build trust, and maintain customer satisfaction by building out and improving customer-centric solutions in the digital space.

Second, the Company is proposing a PIM for First Call Resolution to resolve customer inquiries during the initial call to reduce the need for customers to make repeat calls. The Company's annual goal for this PIM is to resolve 70 percent of all customer calls during the initial call. The Company proposes a deadband of 60 percent to 80 percent of first calls resolved each year. Any performance that resolves greater than 80 percent of first calls will earn an incentive of $50,000 per percentage point above the deadband, up to a maximum of $500,000 for 100 percent of first calls received in any given year. Similarly, any performance that results in less than 60 percent of first calls will pay a penalty of

$50,000 per percentage point below 60 percent, up to a maximum penalty of $500,000 for resolving 40 percent of first calls received. If this PIM is implemented, it will benefit both the Company and the customers through increased customer satisfaction because the Company will be able to resolve customer inquiries expediently, rather than taking up more of a customer's time than necessary by requiring multiple calls. The continuous improvement in this metric will enable the Company to provide prompt and holistic service to its customers, which, in turn, increases customer satisfaction.

Third, the Company is proposing a customer-related PIM addressing affordability for low-income customers, based on increased enrollment of low-income customers in Rate R-2. We describe this PIM in more detail in the next section of our testimony.

Q. Is the Company proposing any scorecard metrics related to customer engagement as part of its PBR proposal in this case?

Yes. In addition to the PIMs described above, the Company's CPI Plan Panel proposes two scorecard metrics related to its customer engagement efforts, both addressing customer experience. First, the Company is proposing a scorecard metric based on the results of a survey to all customers that measures overall customer satisfaction with the Company. Second, the Company is proposing a scorecard metric based on the results of a survey regarding communications during outages and emergency events that will be shared with customers following power outages.

IV. Low-Income Customer Proposals

Q. What is the Company's approach to helping low-income customers with energy affordability?

A. The Company recognizes that not all customers have the same ability to afford their monthly energy bills. Helping the most economically challenged customers with solutions that meet their individual needs and enhanced services that improve their daily lives is part of the Company's commitment to ensuring that all customers can afford the clean energy they and their families need. The Company is committed to supporting low-income customers and proactively delivering programs to assist them in identifying and securing assistance.

Low-income customers come from different life stages across the customer spectrum. They share an economic status that makes them eligible for specific programs, but they face an array of unique challenges that require multi-faceted and highly personalized engagement strategies.

To better serve low-income customers, it is important for the Company to understand them at a granular level, and develop holistic, equitable solutions to address the root causes of their challenges. Since the COVID-19 pandemic, National Grid increased efforts to support low-income customers, including placing a moratorium on shutoffs and deferred payment agreements. However, according to a report published by the National Consumer

Law Center,[2] more than three-quarters of a million Massachusetts residential customers still needed to catch up on their electric or gas bills at the end of December 2021.

In early 2022, National Grid hired E-Source, a research, consulting, and data science firm to conduct an ethnography study (Exhibit-NG-CP-4). The study aimed to gain a better understanding of National Grid's most economically challenged customers across its Massachusetts and New York service territories and to help improve assistance programs for this customer segment. The study identified four customer groups based on the extent to which low- to moderate-income ("LMI") customers struggle with their energy bills. The study also revealed other characteristics, such as billing and payment behaviors.

During the study period, a large portion of the LMI customer population remained current on their bills. However, customers in two of the cohorts fell behind on payments for a short period of time before catching up, while customers in the fourth cohort constantly struggled with large arrearage balances. This cohort had higher energy burdens, a higher likelihood of being disconnected, contacted the Company seven times more frequently for payment assistance compared to other cohorts, and made up the largest portion of arrearage balances. These customers need the most assistance. The study asked the participating customers to provide their input on a wide range of topics, including their energy usage, perception of their homes' efficiency, and their interactions with National Grid. The survey

[2] https://www.nclc.org/wp-content/uploads/2022/09/IB_MA_Arrears.pdf.

found that LMI customers (1) come from a broad range of life stages and situations; (2) are challenged with home comfort, especially during extreme weather conditions; (3) want communication channel options and more flexible payment methods and timing; and (4) highly value a compassionate approach to their interactions. Additionally, many customers mentioned that they want financial assistance to pay their utility bills.

Ultimately, the research further revealed that there is an opportunity to provide greater assistance to three of the four LMI customer groups. This includes identifying and building innovative solutions to improve interactions and communications with these customers, increase their home comfort, better manage their energy usage, and accessing payment assistance programs.

While the Company has already begun utilizing the results of this study, the study will serve as a useful resource going forward to grow the reach and impact of existing low-income programs through improved segmentation and engagement, as well as to develop additional service offerings to help these customers stay current on their bills and reduce their energy burden.

The three building blocks of the Company's low-income program approach are:

1. **Internal and External Partnerships** for cohesive planning, development, and execution across product offerings for low-income customers.
2. **Products and Solutions** for improved customer engagement and customer experience.

3. **Education and Outreach** to raise awareness of program offerings and ensure an improved customer centric experience.

Properly targeting low-income households with information about the Company's programs will help expand awareness and program adoption, and make their energy bills more affordable.

Q. What are the Company's current programs and services available to low-income electric customers?

A. Currently, the Company provides the following programs and services to its low-income customers:

Low-Income Discount: A fixed 32 percent discount on a customer's entire electricity bill. Residential customers at or below 60 percent of the state median income ("SMI") are eligible for Rate R-2 and the low-income discount.

Arrearage Management Plan ("AMP"): A program that permanently forgives a portion of a customer's arrearages if the customer makes timely payments pursuant to a payment plan. Low-income customers who are enrolled on Rate R-2, owe more than $300, and are at least 60 days overdue on their electric bill are eligible for the AMP.

Low Income Home Energy Assistance Program ("LIHEAP"): LIHEAP is a federally funded program that assists with home energy bills. A LIHEAP grant is applied towards a customer's heating source, based on income qualification performed by Community Action agencies (also referred to as Community Action Program agencies, or "CAP agencies"). This is also a path for the customer to receive the Rate R-2 discount on their utility bill.

Budget Billing: A billing option for customers to balance payments across all 12 months to offset traditionally high winter heating and summer air conditioning peak bills. This helps make bills more predictable for customers and is available to all residential customers.

Income-Eligible EE Offerings: EE measures – including insulation, air sealing, efficient thermostats, heating system repair or replacement, lighting, and approved appliance replacement – are provided at no costs up to established limits. All customers on Rate R-2 are eligible for these products and services, as well as income-eligible multi-unit dwellings. "Income-eligible" generally refers to low-income customers.

Shutoff protections: In Massachusetts, utility customers are protected from disconnection for non-payment between November 15 and March 15. This protection is extended to residents of the home aged 65 and over, and residents experiencing financial hardship and who meet one of the following criteria: someone in the home is seriously ill or there is a child under 12 months old living in the home.

Q. How does the Company currently promote programs and services available to low-income customers?

A. The Company promotes low-income customer offerings through email campaigns, online banner ads, social media ads, and bill inserts; as well as through one-on-one customer conversations with Call Center agents or Customer Advocates at in-person engagements. In addition, the Company partners with Community Action agencies in its service territory to promote energy affordability programs at the community level. These agencies leverage and integrate statewide resources from the Massachusetts Executive Office of Housing and Livable Communities (formerly the Department of Housing and Community Development) and also work closely with other community-based organizations as part of their outreach efforts.

Q. What has the Company identified as opportunities for improvement for these programs and services?

A. Through its efforts, the Company has identified two main areas where it could further help low-income customers through its programs and services:

Increased Enrollment: While existing programs support low-income customers who are enrolled, there is an opportunity to reach additional eligible customers who do not receive assistance. The Company is proposing to build on long-standing successful efforts, such as the CAP agency partnerships and data-sharing for auto-enrollment, described further below, with expanded education and outreach resourcing and proactive planning to promote low-income programs and services to address this opportunity.

It is difficult to estimate the number of customers who are both technically eligible and practically able to utilize the range of low-income focused programs. As shown in Exhibit NG-CP-5, Customer Enrollment in Existing Assistance Programs, approximately 154,596

Mass. Electric and Nantucket Electric customers were enrolled in the R-2 rate as of September 2023. The Company estimates that approximately 390,000 household accounts in the Massachusetts service territory have incomes below 60 percent of SMI. This number is likely to overstate the number of residential customers who are reachable by programs, given important non-income factors that may prevent customers from being reachable by the programs, such as rental occupancy in buildings with utilities included in monthly rents. However, national research[3] demonstrates other barriers to enrollment – including lack of awareness and confusion about eligibility rules – could be overcome through expanded dedication of resources working together with experienced statewide groups such as the Massachusetts Low-Income Energy Affordability Network ("LEAN") and community-based organizations.

A More Equitable Rate R-2 Discount: While the current Rate R-2 discount improves affordability for low-income customers, offering a tiered discount with higher discounts for lower income levels would make the rate more equitable. The goal of a tiered discount would be to keep the electric energy burden for the spectrum of low-income customers at approximately the same target level, by increasing the discount levels offered to the Rate R-2 customers in the lower income brackets. "Energy burden" refers to the percentage of gross household income spent on energy costs, and multi-tiered rates can be designed to

[3] See, for example, U.S. Dept of Health & Human Services, "LIHEAP Research Experiences of Selected Federal Social Welfare Programs and State LIHEAP Programs in Targeting Vulnerable Elderly and Young Child Households" available at https://www.acf.hhs.gov/ocs/report/liheap-research-experiences-selected-federal-social-welfare-programs-and-state-liheap.

place more low-income customers below the energy burden target. Other states, including New York, New Hampshire, Connecticut, Rhode Island, and California, provide two or more tiers for their low-income electric assistance programs, with higher support for the lowest income customers.

Q. What is the Company proposing in relation to its low-income offerings?

A. The Company proposes to implement (1) a multi-tiered low-income bill discount for the Rate R-2 customers, including new methods for verifying customer eligibility; (2) the hiring of incremental FTEs and implementation of an education and outreach program to increase low-income customer awareness and program enrollment; (3) cost recovery for these new costs via the existing low-income dedicated reconciling factor, the RAAF; and (4) a symmetrical affordability-based PIM related to the enrollment of new customers on Rate R-2.

Q. What is the structure of the proposed Low-Income Discount?

A. The proposed Low-Income Discount will take the form of a five-tiered discount rate structure for eligible low-income customers based on Federal Poverty Level ("FPL") or SMI guidelines. The rate will keep the same eligibility threshold as the existing low-income discount rate of 32 percent – which is 60 percent of SMI or less – but offer higher discounts to customers at lower income levels, up to a maximum discount of 55 percent. The proposed discount tiers are designed to bring customers who have average electricity consumption of 600 kWh per month within each income tier to below the target 3.4 percent energy burden for electricity.

The Company proposes the following tiers:

- 55 percent discount for households with incomes between 0 and 75 percent of FPL.
- 49 percent discount for households with incomes between 75 and 100 percent of FPL.
- 44 percent discount for households with incomes between 100 and 150 percent of FPL.
- 36 percent discount for households with incomes between 150 and 200 percent of FPL.
- 32 percent discount for households with incomes between 200 percent of FPL and 60 percent of SMI.

Q. How was the target energy burden determined?

A. The target energy burden is based on the American Council for an Energy Efficient Economy ("ACEEE") 2020 Energy Burden Report, with the aim to reduce households' home energy burden below the designated high level of 6 percent. For gas heating customers, the 6 percent energy burden needs to be split to cover both their electric bill and their gas bill. After LIHEAP distributions are made, the low-income customer has spent 56 percent of their home energy bills on electricity and 44 percent on gas. The electricity bill was then allocated 56 percent of the 6 percent energy burden, equal to 3.4 percent. This 3.4 percent is then used to determine the discount rates in Exhibit-NG-CP-3.

Q. What improvement in energy burden is achieved by the introduction of the tiered discount structure?

A. As shown in the diagrams below, for customers receiving both LIHEAP and the tiered R-2 electric discounts, the level of energy burden would generally fall below the target energy burden described above for customers below 60 percent of SMI.

Figure 1, below, shows the electric energy burden for a two person household after applying the existing LIHEAP and R-2 rate, and shows that energy burden (the black line) rises rapidly above the target level (the red level) for customers below 150 percent FPL, reaching as high as 8.5 percent of household income.

Figure 2, below, shows the electric energy burden after applying LIHEAP and the proposed tiered discount rate, and illustrates the reduction of energy burden reduction to the target level described above.

Figure 1

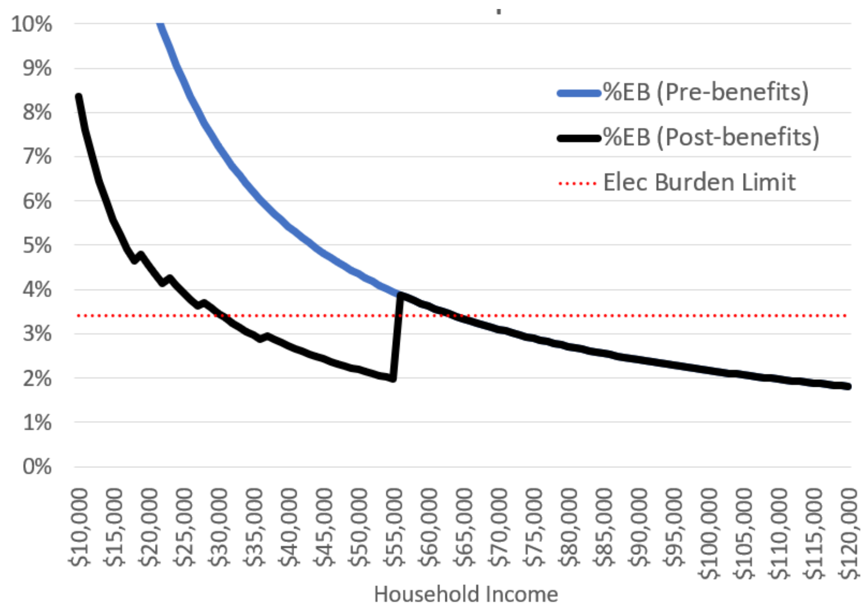
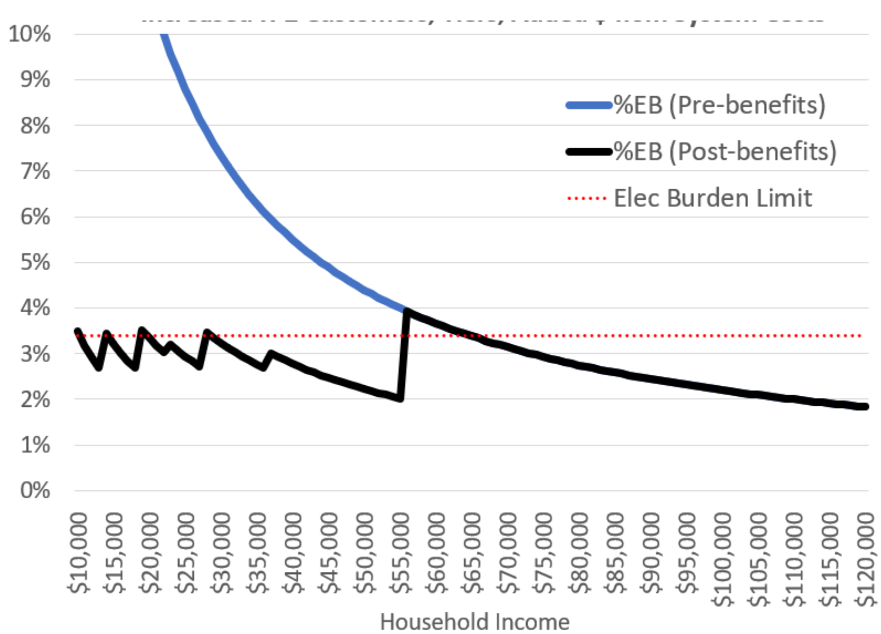


Figure 2



Q. What are the direct costs associated with implementing a multi-tiered Rate R-2 discount?

A. The costs of providing a multi-tiered Rate R-2 discount result primarily from required billing system upgrades and FTEs. The estimated costs of upgrading the Company's billing system are included in Exhibit NG-CP-2. There are additional costs associated with verifying customer eligibility and increasing Rate R-2 discount enrollment, which are covered in later sections.

Q. How will the Company verify eligibility for the Low-Income Discount?

A. Offering a tiered discount rate will require new eligibility verification mechanisms because the current Rate R-2 discount requires only demonstration of income below 60 percent of SMI, and all eligibility verification is completed by third parties based on enrollment in means-tested programs. The Company proposes to pursue three new methods for verifying low-income customer eligibility, which will be non-exclusive options to maximize access to the offering. The Company has considered cybersecurity and privacy concerns about collecting detailed income data from customers in developing the following new methods.

Method 1: Enhanced Data Sharing

The first method of eligibility verification is to build on auto-enrollment through data sharing with the Department of Transitional Assistance and CAP agencies, through the implementation of new data sharing agreements that authorize the agencies to share the applicable discount tier for customers based on their records of customers' income from the customer qualification process. This process will not pass through customers' actual incomes, but rather their applicable tier for the R-2 rate. The Company also will seek to replicate this process with additional agencies by establishing new data sharing agreements to automatically enroll additional groups of customers who are enrolled in other income-verified programs that do not currently share data for R-2 eligibility purposes.

The implementation costs for verification through data sharing consist of system upgrades for the Company and data sharing system upgrades for participating agencies. The costs for the Company's system upgrades are included in Exhibit NG-CP-2. The costs for participating agencies to upgrade their data sharing systems have been preliminarily estimated at approximately $100,000. These costs are proposed to be paid by the Company and recovered via the RAAF.

Method 2: Direct Application Showing Proof of Enrollment in Another Program

The Company will continue to directly enroll applicants who show proof of participation in a qualified means-tested program into the default 32 percent discount, unless further information is provided demonstrating a higher tier should apply. A qualified means tested program is any state or federally funded program that has an eligibility limit of 60 percent of SMI or lower and directly verifies the income of the customers it enrolls.

The Company will also allow direct applicants to show proof of participation in any of the following to obtain the 36 percent discount rate: Supplemental Security Income ("SSI"), Supplemental Nutrition Assistance Program ("SNAP"), Women Infants and Children

("WIC"), MassHealth Standard, CarePlus and Limited Customers, HeadStart, and Veterans Chapter 115 benefits.

Additionally, the Company will allow direct applicants of Transitional Aid to Families of Dependent Children ("TAFDC") and Emergency Aid to the Elderly, Disabled and Children ("EAEDC") to obtain the 49 percent discount rate.

There are no additional implementation costs for verification through direct application beyond the costs of implementing a multi-tiered discount rate and increasing Credit and Collection team FTEs to assist with the work, as described below.

Method 3: Third-Party Verification of Applicants' Income

To provide an additional enrollment option for low-income customers who are not enrolled in other means-tested programs, the Company also proposes to contract a third-party income verifier to confirm applicants' eligibility. The third-party verifier will rely on customer income documentation to confirm eligibility and place each customer within a discount tier. The implementation costs of third-party verification are estimated in Exhibit NG-CP-2, but the Company would need to issue a Request for Proposal ("RFP") to get exact quotes from vendors.

Q. How does the Company propose to increase awareness of and participation in programs to improve low-income customer affordability, including the Low-Income Discount Program?

A. The Company proposes to implement a comprehensive low-income customer segment strategy to raise awareness and increase customer enrollment in assistance programs, streamline education and outreach to low-income customers, and develop products and services to improve their customer experience. To better connect our low-income customers with the assistance programs they need, it is critical that the Company understand the ethnicities, cultures, and other characteristics that make up this customer segment in the region. Many of our low-income customers who are not currently accessing assistance programs are from underrepresented ethnic, cultural, or language groups, so the Company must create a multi-cultural communication plan that extends beyond translations with visuals, messages, and tone of voice that is sensitive to cultural differences to ensure that the Company's program offerings will resonate with audiences of different cultural backgrounds.

All outreach and education materials are developed using a multi-cultural transcreation/in-culture process, which adapts concepts, visuals, and messages for various cultures that make up the low-income communities we serve, to ensure the content and desired actions resonate. To reach non-English speaking customers, we would expand translation efforts to include the top 3-5 languages spoken in the identified communities. All materials would be tested with our intended audience through online and/or in-person customer focus groups before finalizing content. The Company would work closely with and possibly incentivize Community-Based Organizations (CBOs) to provide input to ensure concepts resonate and do not have any cultural misrepresentation. Next, the Company would develop an ongoing omni-channel outreach approach to ensure it is meeting customers where they are. A mix of high-touchpoint tactics, such as television, radio, and out-of-home/place-based media – including advertising that customers would encounter outside of their residences, such as billboards, posters, or signage that a customer would see while driving, shopping, commuting – combined with a presence in local community newspapers and in-person customer engagement events and activations, will enable the Company to reach all low-income customers in the communities where they live, work, and gather. This expanded approach would complement owned-channel communications (email, social media, bill inserts) as well as Mass Save EE marketing efforts which aim to increase participation and adoption of EE programs and reach energy saving targets.

Q. Has the Company seen results from dedicated outreach and education campaigns to support low-income customers in the past?

A. The Company believes that participation in current assistance programs can be meaningfully improved by dedicated focus and outreach to low-income customers. For example, when the Company developed its winter price mitigation plan in 2022, it utilized short-term funding approved by the Department to provide customer assistance aimed broadly at all customers needing additional support during a time of high commodity prices. During this time, the Company launched a campaign called the Customer Savings

Initiative to reach customers who may be struggling with winter bills. The initiative included 27 in-person outreach events across the Commonwealth.

The Customer Savings Initiative was well-received by the Company's customers and communities impacted by winter bills and generated positive results, including helping to increase Rate R-2 enrollments by more than 8,000 customers. The Company believes that a dedicated budget, dedicated resources, and a comprehensive, long-term outreach and education effort will enable the Company to reach more low-income customers with information about all of its programs and help to address remaining enrollment barriers among this customer segment.

Q. What is the anticipated cost for the improved outreach and education for the low-income customer segment?

A. The Company is seeking an increase of $3 million per year to implement the proposed annual outreach and education program for low-income customers. The annual amount will support the development of a multi-cultural communication plan; the creative development, execution, and testing of in-language/transcreated assets; and an omni-channel approach, which includes broad awareness tactics like television ("TV") and radio, to targeted delivery mechanisms like expanded in-person customer and community events. The costs for this work include:

- A total of $1,150,000 media spend across TV, Radio/Audio, and Out-of-Home/Place-based media:

  - TV: traditional network and cable (i.e., Boston – WUNI Univision WNUE Telemundo) and hyper-targeted streaming TV by zip code in three to five week flights. Estimated cost: $15,000 per week for traditional TV; $20,000 per month for streaming services.

  - Radio/Audio: terrestrial, targeted streaming and podcasting. Estimated cost: $1,200 per station per week for terrestrial; $15,000 to 25,000 per month for streaming.

  - Out-of-home/Place-based media: billboards, posters, murals, flyers, or door hangers in frequented localized destinations, including transit/bus kiosks, community centers, hairdressers, barbershops, grocery stores, and convenience stores.

- Digital: targeted rich media, video, native ads, social media, search, and influencer marketing. Estimated cost: $50,000 per month, for a total of $600,000 annually.

- In-person customer assistance events, community activation kits, customer engagement pop-ups, presence at local community and senior centers, and CAP agency events, with on-site translators. Estimated costs: $500,000 to $750,000 per year, dependent on type of event, location, and frequency.

- All outreach and education materials would be created in the top three to five languages through a multi-cultural transcreation/in-culture plan and process. This includes working with Community Based Organizations and translation agencies and testing all concepts with in-person customer focus groups. Estimated cost: $500,000 per year.

With a new multi-tiered discount rate, the additional outreach and education support will be needed to drive enrollment and educate customers on the new rate structure. For this reason, the first year of implementation of the redesigned Rate R-2 may cost more than subsequent years. A summary of annual outreach and education costs is provided in Exhibit-NG-CP-2, Rate R-2 Implementation Cost Summary. Please also see Exhibit NG-CP-7, which is an overview of the Company's Outreach and Education Program.

Q. Does the Company need to add incremental staff to support the work involved in providing the Low-Income Discount and other low-income offerings?

A. Yes. Currently, the Company has only one FTE dedicated to strategy development, research, and program design for LMI customers, supporting more than 800,000 LMI electric and gas customers, and those customers who are residents of environmental justice communities ("EJCs") in the Company's Massachusetts service territories. As of the 12 months ending March 31, 2023 ("Test Year"), the Company also has six Customer Advocates dedicated to assisting the Company's most economically challenged customers. These Customer Advocates cover the entire Mass. Electric, Nantucket Electric, and Boston Gas Company service territory and are paired by region to support the demand and foster relationships within the communities they serve. Customer Advocates spend most of their time at local service organizations enrolling customers in programs and providing information about assistance programs.

To further assist low-income customers, the Company proposes to add seven low-income-dedicated FTEs to support the development and execution of program offerings, targeted customer outreach, segment research, program performance measurement, and direct one-on-one customer assistance for low-income customers. These FTEs would be dedicated to supporting the Company's low-income Massachusetts residential electric customers. Included in these seven low-income dedicated FTEs are three Customer Advocates; one Marketing, Education, and Outreach Analyst; one Data Analyst; one Payment Assistance Administrator; and one Segment Analyst. These FTEs will be essential in reaching, educating, and enrolling customers in payment assistance programs. A description of each FTE's responsibilities is included in Exhibit-NG-CP-6.

To process the expected increase in direct application enrollments and to test and implement the revised Low-Income Discount structure, the Company proposes to add three additional dedicated FTEs, consisting of two Revenue Service Associates and one Billing Operations, Senior Analyst. These FTEs will be dedicated to implementing the Rate R-2 discount for the Company's low-income Massachusetts residential electric customers. A description of the responsibilities of these FTEs is included in Exhibit-NG-CP-6.

Q. What is the estimated cost of hiring the new low-income-dedicated FTEs?

A. The Company is seeking the recovery of approximately $1.25 million in operating expenses associated with the hiring of an incremental 10 FTEs dedicated to low-income customers and programs. The breakdown of these costs is detailed in Exhibit-NG-CP-2.

Q. Does the incremental increase in staff reflect the normal ebb and flow of staffing?

A. No. The incremental FTEs represent a significant increase in low-income program staffing that the Company anticipates will continue to be needed to enable effective low-income customer support through the outreach, engagement, and new discount structure described above. The current level of staffing is not sufficient to support these necessary endeavors.

Q. Does the addition of the incremental staff reflect a permanent change within the Customer organization?

A. Yes. Prior to this filing, the Customer organization did not have a dedicated team to serve low-income customers and EJCs for the Company. The Company has only one full-time employee who is responsible for developing and executing a strategy for the long-term support of low-income customers. With the expansion of this team as proposed in this case, the Company will be able to implement a comprehensive plan to support its low-income customers. The team will track the performance of payment assistance programs, such as the low-income discount rate and AMP, and identify gaps and areas for improvement. Additionally, the team will monitor the performance and progress of these initiatives, research and benchmark new initiatives, and evaluate other utility offerings that could benefit low-income customers and EJCs.

To fully serve low-income customers, it is imperative that the proposed FTEs represent a permanent addition to the Customer organization. Adequate resourcing will ensure positive experiences for customers through all engagement channels, and at every step of the customer journey – from awareness to application to participation and re-enrollment. It will also ensure strong Company presence at the local level, through greater in-person events and partnership with community-based organizations. In addition, the Company expects the needs of this customer segment to evolve, and the proposed FTEs will continue to reevaluate programs, services, and education campaigns targeted to this segment to reach these customers and provide payment assistance support. This approach is needed given the differentiated needs of low-income customers. This segment has been historically underserved and the Company recognizes the need for a permanent increase in staffing to more effectively meet the needs of these customers, in line with the Commonwealth's focus on equity and affordability.

Q. Will the proposed Low-Income Discount require changes to the Company's systems?

A. Yes, the Company's systems will need updates in order to support a multi-tiered low-income discount. The current Rate R-2 is programmed for a single discount tier and will require reprogramming of the billing system to include riders for five discount tiers. The Company's data sharing system with agencies will require modifications to track (a) each customer's income tier, and (2) whether a customer has moved between discount tiers. A summary of these costs is included in Exhibit NG-CP-2.

Q. When does the Company intend for the new tiered discount to become operational?

A. The Company intends for the multi-tiered discount rate to become operational no later than June 2025, as the Company makes the necessary modifications to the Company's internal systems and processes. The Company's ability to meet this target also depends on the necessary systems and processes being operational with data sharing agencies and a third-party income verifier. The Company will begin efforts to increase enrollment in low-income programs and services as soon as the proposal is approved.

Q. How does the Company propose to recover incremental costs associated with low-income offerings?

A. The Company proposes to recover all incremental costs associated with assistance programs offered to low-income customers through the RAAF, including the proposed multi-tiered Low-Income Discount, the hiring of incremental FTEs dedicated to the low-income customer segment, and the enhancements to low-income customer outreach and education. The RAAF currently recovers the costs of the existing discount provided to customers receiving retail delivery service under Rate R-2 and the incremental costs associated with the operation of the Company's AMP offered to qualifying customers. It does not currently recover the cost of FTEs dedicated to low-income customer support, such as Customer Advocates, or low-income customer education and outreach; however, the Residential Assistance Adjustment Provision ("RAAP") indicates that costs regarding assistance provided to low-income customers may be included if permitted by Department order.

Therefore, the Company proposes to include all incremental costs related to its low-income proposals in this proceeding in the RAAF, instead of in base rates, in order to provide dedicated recovery for the costs of this important work. Recovering these costs via the RAAF, including the costs for hiring the incremental FTEs dedicated to low-income customers and programs, should provide greater transparency into the Company's low-income initiatives. Recovery through the RAAF, instead of in base rates, will enable the Company, the Department, the Attorney General, and any other interested stakeholders to directly track and evaluate the Company's increased efforts dedicated to support low-income customers and increased participation in Rate R-2 and other programs.

Q. Does the Company intend to cap the recovery of labor costs and other operating expenses under this proposal?

A. Yes, the Company proposes to cap the amounts of annual education and outreach spending, as well as associated FTE labor costs, recovered via the RAAF under this proposal up to a total amount of $4.25 million per year.

The Company does not propose to cap recovery via the RAAF related to implementation of the multi-tiered discount, including internal and external system costs and Credit and Collections FTEs, given that these costs are preliminary high-level estimates at this time.

Q. Does the Company need to make any associated changes to its tariffs to implement the low-income offerings proposed in this case?

A. Yes, the Company will need to modify the Rate R-2 tariff to implement the proposed Low-Income Discount. Additionally, the Company will need to modify the RAAP to allow for the recovery of the additional costs relating to the low-income offerings discussed above. Copies of the amended tariffs are provided in the pre-filed direct testimony of the Pricing Panel, as Exhibit NG-PP-13 and Exhibit NG-PP-14.

Q. What are the estimated bill impacts associated with the Company's Low-Income Discount and outreach and education efforts?

A. As shown in Table 1, below, the Company estimates that for Year 1, the increase in total costs reaches $20.1 million, which includes costs for increased enrollment and system upgrade costs for the full year and the costs for the multi-tier discount when it is implemented for the final four months of the year. In Year 2, the multi-tiered discount rate will be in effect for the full year, increasing total costs to $46.5 million.

Table 1 – Cost of Low-Income Customer Proposals

	Year 1	Year 2	Year 3	Year 4	Year 5
	Oct. 2024 - Sep. 2025	Oct. 2025 - Sep. 2026	Oct. 2026 - Sep. 2027	Oct. 2027 - Sep. 2028	Oct. 2028 - Sep. 2029
Multi-Tier Discount for existing customers	$10,933,333	$32,800,000	$32,800,000	$32,800,000	$32,800,000
Increased Enrollment	$3,100,000	$6,200,000	$9,300,000	$12,400,000	$15,500,000
+ Second Order Effects	$463,333	$2,780,000	$4,170,000	$5,560,000	$6,960,000
Outreach & Education	$3,000,000	$3,000,000	$3,000,000	$3,000,000	$3,000,000
Low-Income Dedicated FTEs	$1,235,000	$1,235,000	$1,235,000	$1,235,000	$1,235,000
Third Party Verification Costs	$175,000	$525,000	$525,000	$525,000	$525,000
System Upgrade Costs	$1,169,000	$0	$0	$0	$0
Total Costs	**$20,075,667**	**$46,540,000**	**$51,030,000**	**$55,520,000**	**$60,020,000**

Multi-Tier Discount comes into effect in June 2025, meaning no Multi-Tier and Second Order Effects Costs occur until this date.
System Upgrade Costs include $1,069,000 for National Grid IT costs and $100,000 for agency costs.

In Year 5, a multi-tiered discount rate with the tiers proposed above would increase the Rate R-2 discount value by an estimated $32.8 million per year. This represents an increase of 29 percent from the value of the current flat 32 percent low-income discount. If enrollment in Rate R-2 also grows based on expanded outreach, the size of the program and associated discount value would grow accordingly. For example, the low-income PIM proposed below targets a 15 percent increase in enrollment over the five years that would lead to $15.5 million in additional program costs in the program's fifth year. If the Department approves the proposed multi-tiered discount, FTEs, outreach and education funding, system upgrade costs, third party verification costs, and enrollment increased by 15 percent, the total program-related costs would increase from the current $113 million to

$173 million in the fifth year. This corresponds to a monthly bill increase of $2.47, or 1.3 percent, for an average residential customer. A summary of the program's year-by-year costs is included in Exhibit NG-CP-3.

Q. How does the Company propose to measure its performance in implementing the Low-Income Discount?

A. The Company proposes to implement an affordability-based PIM to encourage innovation and ensure accountability for performance in support of increasing the enrollment of low-income customers in the Company's Rate R-2. The Company's target is to enroll 4,650 new customers in Rate R-2 each year over the five-year term of the CPI Plan, which would be an annual increase of 3 percent over the baseline of customers enrolled as of June 2023. By contrast, the annual average growth in enrollment over the last five years has been 0.6 percent per year – or five times lower than the Company's annual PIM target.

Achieving the 3 percent goal will require increased resources, including additional FTEs and increased outreach and targeted enrollment of low-income customers into Rate R-2, so that those customers can take advantage of the proposed tiered Low-Income Discount program and other low-income program offerings. The Company cannot adequately carry out the work in the Low-Income Discount proposal with its existing resources. As a result, this proposed PIM is contingent on approval of the outreach and education funding and the FTEs included in this proposal.

Although the Company has promoted a Rate R-2 discount for years, significant barriers remain that prevent eligible customers from enrolling in the low-income discount program, including awareness of program offerings, eligibility, and ways to enroll; accessibility; and language barriers. The Low-Income Discount PIM will encourage the Company to ensure ongoing dedicated focus on growing Rate R-2 enrollment, with a symmetrical incentive or penalty if the Company outperforms or falls short of the target.

The proposed PIM aligns with the Department's and the Company's shared goal of reducing the energy burden for low-income customers and will serve as an accountability mechanism to ensure the Company's proposed dedication of funds for outreach and education effectively addresses existing enrollment barriers for low-income customers to participate. More details regarding the Low-Income Discount PIM are provided in the pre-filed direct testimony of the CPI Plan Panel, at Exhibit NG-CPIP-1.

V. Customer Account Management Proposal

Q. What is the Company's proposed Customer Account Management proposal?

A. The Company proposes to expand its account management capabilities by creating a new Customer Account Management function within the Customer organization to serve as the primary point of contact for the account management needs of large end-use customers, national accounts, municipal and government accounts, property managers, real estate developers, and DG developers, among other groups.

Q. Is the Company hiring any incremental FTEs to support the Customer Account Management organization?

A. Yes. National Grid is in the process of hiring an incremental 23 FTEs to serve the new Customer Account Management organization within the Company's Massachusetts service territory. The positions include:

- One Director of Strategic Account Management – 36.23 percent of the position will be allocated to the Company;
- One Director of Developer Account Management and Commercial Services – 40 percent of the position will be allocated to the Company;
- One Director of Regional Account Management – 53.55 percent of the position will be allocated to the Company;
- Ten Customer Account Managers – 41.65 percent of the positions will be allocated to the Company;
- Five DG Developer Account Managers – 100 percent of the positions will be allocated to the Company;
- Four Analysts for Managed Account Services – 59.5 percent of the positions will be allocated to the Company; and
- One National Accounts Account Manager – 47.6 percent of the position will be allocated to the Company.

The incremental FTEs will benefit customers and enhance customer experience by providing improved connections and interconnections assistance; education and advice on EE and clean energy solutions; opportunities to implement and use new digital solutions; and improvements to customer service.

Q. What is the estimated cost of the new Customer Account Management function?

A. The Company is seeking the recovery of approximately $1.9 million in operating expenses associated with the new Customer Account Management function.

Q. Why is the Company forming a new Customer Account Management function within its Customer organization?

A. The Company's customers have reported that they need more proactive guidance and assistance on managing new interconnections, more guidance on planning for electrification of heat and transportation, and more help in resolving issues with billing and service reliability. The Company's leadership believes strongly that a more substantial investment in the Company's account management capabilities and resources is warranted for companies the size of Mass. Electric and Nantucket Electric and to provide leadership presence on the clean energy transition. In an effort to ensure that customers' voices are heard regarding their interactions with National Grid, the Massachusetts Jurisdiction is leading a corporate initiative to improve senior leadership's connection with the Company's customers and drive initiatives to improve customer experience. Over the last several months, National Grid senior leaders and group executives have met with some of the Company's large customers and developers to hear directly about their experiences with National Grid.

In addition, the Company performed an assessment of its account management capabilities and summarized recommendations on how the Company could effectively deploy a Customer Account Management organization to meet the evolving needs of large customers and developers. The assessment included benchmarking against other utilities and indicated that National Grid was understaffed for management of large accounts and recommended that the Company form a dedicated Customer Account Management function.

Q. What benefits will the new Customer Account Management function provide to customers?

A. The new Customer Account Management function will provide tangible benefits to customers in several ways. First, the Customer Account Management organization will improve direct focus on the customer through strategic planning. In particular, the new account managers will develop and manage strategic account plans with customers to help them better achieve their objectives related to electricity consumption, service connections and expansion, and interconnections.

The Customer Account Management function will also increase engagement with customers on clean energy projects to drive both environmental and system benefits. In this regard, the new account managers will develop opportunities to increase large customer implementation of clean energy projects – such as EE, decarbonization, electrification, and demand response – and will work to streamline and enable DG developers to interconnect more solar resources to the distribution system.

In addition, the new function will improve customer satisfaction by reducing project timeframes and customer wait times. Namely, the new account managers will provide proactive guidance to customers regarding alternative energy options while in the early planning stages of new electric and gas connections and DG interconnections. The new FTEs will also help customers with project portfolio management by effectively communicating with the Company's Electric Connections, Gas Connections, and Energy Integration project teams; Electric Business Unit, such as the Distribution Planning and Asset Management, Resource Planning, and Operations teams; Corporate Affairs; and other internal and external stakeholders. In this role, the account managers will serve as the customer's advocate, including as the conduit between the customer and the Company by overseeing all of the customer's interactions with the Company. The account managers will work with customers to develop strategic plans to help customers achieve their energy needs and facilitate the resolution of service issues.

Further, the new Customer Account Management function will facilitate executive engagement with customer needs by engaging the Company's senior leadership in direct discussions with key customers on a periodic basis to ensure the "voice of the customer" is heard.

Other tangible benefits of establishing the Customer Account Management function include reduced billing issues, reduced overdue billings, and reduced customer complaints.

Q. Will the cost of the new hires be known and measurable by the close of the record?

A. Yes. All 23 FTEs will be hired and on-site at National Grid between the filing of this case and the close of the record in the proceeding. The Company will supplement the record periodically to demonstrate the FTEs hired and on-site prior to the close of the record. Therefore, by the close of the record, all costs associated with the new hires will be known and measurable to include in rates.

Q. Does the incremental increase in staff to support the Customer Account Management organization reflect the normal ebb and flow of staffing?

A. No. The incremental increase in staff is outside the normal ebb and flow of staffing based on a permanent change to the Company's structure and the significant percentage increase in FTEs. This new headcount will result in an increase of approximately 164 percent over current account management employees within the Customer organization.

Q. Does the addition of incremental staff for the Customer Account Management organization reflect a permanent change to the structure of the Customer organization?

A. Yes. Before this initiative, National Grid did not have a Customer Account Management organization within its broader Customer organization. The addition of the proposed Customer Account Management function and the accompanying incremental 23 FTEs to serve in the account manager and higher management roles represents a permanent organizational change to the structure of National Grid's Customer organization that it has not previously had, and that is intended to be a lasting solution to evolving specialized service needs for the types of customers it serves.

The Company's large customers and developers are faced with a rapidly evolving set of choices related to energy infrastructure planning and clean energy project development.

Customers need more guidance and oversight on adding new and expanded electric service as they plan for electrifying their heat and transportation. Clean energy developers are seeking more of a strategic and collaborative relationship with the Company as they look to grow their portfolios of clean power generation and community solar customers. The expanded account management function will provide the necessary support to large customers and developers during the clean energy transition over the next several years.

Q. Does the addition of incremental employees for the Customer Account Management organization reflect a significant percentage increase over Test Year FTEs?

A. Yes. The incremental increase of FTEs represents an increase of approximately 164 percent over the FTEs in the account management function within the Customer organization during the Test Year. The Company currently has seven customer account managers, one DG developer account manager, two national accounts account managers, and four managed account services analysts in the Customer organization. Therefore, the proposed increase of 23 FTEs dedicated to the Account Management function would be a significant increase over the Test Year FTEs.

Q. Are there any other circumstances that warrant a departure from the Department's traditional standard regarding post-test year hires?

A. Yes. As described in more detail in the pre-filed direct testimony of the CPI Plan Panel, Exhibit NG-CPIP-1, the Company is about to commence unprecedented levels of capital investment needed to support its core obligations to provide safe and reliable electric distribution service to customers and also to support its investments that address the

Commonwealth's electrification and clean energy goals and expectations through the ESMP. The account managers in the Customer Account Management organization will provide a direct contact for customers to engage during the clean energy transition and facilitate opportunities to increase clean energy projects for larger customers.

VI. Proposed Electrification Pricing

Q. Is the Company proposing any new customer rate design options given the clean energy and electrification goals in Massachusetts?

A. Yes. The Company is working to drive towards the Commonwealth's electrification and clean energy goals and expectations articulated in the Clean Energy and Climate Plan for 2050, which focuses on heat electrification as the primary strategy for achieving a 93 percent reduction in GHG emissions from the buildings sector by 2050. This will involve unprecedented levels of customer investment in building retrofits and new technologies, such as heat pumps, to replace traditional fossil fuel-fired heating systems, and will necessitate a broad portfolio of mechanisms to overcome current affordability barriers to electrification, including incentives and financing options, as well as changes to rate design.

One barrier to electrification affecting residential customers in particular involves how customers are currently charged for their use of the electric distribution system. Currently, the Company's residential customers are charged on a volumetric, or per kWh, basis for their use of distribution system infrastructure. However, these distribution system costs are fixed, driven by customer maximum demands, or driven by customer demand coincident with delivery system peaks. Volumetric delivery charges are, therefore, not cost-reflective and result in uneconomic and unfair cross subsidies, where one group of customers pays more than their contributions to system costs while others pay less. Under volumetric delivery rates, customers with relatively high volumetric consumption and relatively low non-coincident and coincident peak demands pay in excess of their contribution to system costs. The result is uneconomic and often prohibitively high operating costs for heat electrification and other high throughput beneficial technologies, which creates a barrier to their adoption by customers.

The Company has long understood that cost-reflective new rate designs for residential customers will play a critical role in removing affordability barriers to electrification, though current metering technology places significant limitations on how residential customers can be charged for their use of the system. The Company's AMI deployment plan, expected to be completed in late 2027, will enable implementation of innovative time-varying and demand-based rate designs for residential customers that will send efficient, grid-beneficial price signals, reduce the operating costs of electric heat and electric vehicle ("EV") charging, and improve overall fairness across customers and their end uses.

The Company recognizes, however, that achieving the Commonwealth's electrification goals requires that action be taken as soon as possible to provide customers with rate design options for enabling electrification. As an immediate first step in addressing these concerns, the Company is proposing that the Department approve in this proceeding a new

"Electrification Pricing" option for residential customers. This proposed pricing option will be open to all Rate R-1 customers on an opt-in basis. Under Electrification Pricing, the Rate R-1 base distribution charge will be fixed, rather than charged on a per kWh basis. All other charges applicable to Rate R-1 customers – including the customer charge, all surcharges and adjustment factors included in the distribution line item on the bill, transition charge, EE charge, renewables charge, distributed solar charge, EV program factor, transmission charge, and basic service supply or competitive supply charges – will be assessed in the same manner as applicable to the default Rate R-1.

Q. How did the Company determine the proposed fixed base distribution charge for the Electrification Pricing option?

A. The proposed fixed distribution charge is based on a simple conversion of the target residential base distribution revenue target from dollars per kWh to dollars per bill. Whereas the Rate R-1 per kWh distribution charge of $0.06647 is determined by dividing the balance of the residential revenue target after applying the fixed customer charge of $11.00 by the residential kWh for the test year, for the proposed Electrification Pricing, the balance of the revenue target after applying the fixed customer charge of $11.00, is divided by the number of residential bills in the test year, to arrive at $38.15 per month. The calculation used to determine the proposed fixed base distribution charge is described in the pre-filed direct testimony of the Pricing Panel, Exhibit NG-PP-1, and the calculations are shown on Exhibit NG-PP-6, page 3.

Q. Why is the Company proposing Electrification Pricing in this proceeding?

A. As the Company recently expressed in the EV Time of Use ("TOU") Rate filing in docket D.P.U. 23-85, and the Company's proposed ESMP submission to the Grid Modernization Advisory Council ("GMAC"), the Company's long-term rate design strategy seeks to move toward more cost-reflective, equitable, and grid beneficial rate designs. Advancing innovative rate design is necessary to enable the Commonwealth's goals for clean energy and electrification in a manner that is fair and affordable for all customers. Realization of this long-term strategy will require AMI to enable development and implementation of time-varying and demand-based rate designs. Full scale deployment of AMI is scheduled to be completed in late 2027.

The Company's primary objective in proposing the Electrification Pricing option is to begin supporting electrification and providing benefits to customers while AMI deployment is still underway and while options for innovative rate design remain limited by current metering technology. In addition to providing near-term benefits, introducing an opt-in alternative rate design will allow for gradualism over the longer term and provide insight for development and implementation of future innovative rate designs.

Q. Does the Company expect that the proposed Electrification Pricing option will provide savings to customers?

A. Yes. Compared to the default Rate R-1, residential customers with higher volumetric energy use than the average residential customer usage of 574 kWh per month, including customers who use electric heat pumps and other high throughput technologies, will save money under the proposed Electrification Pricing option. Estimated savings relative to Rate R-1 are meaningful, but modest, as the per kWh base distribution rate constitutes just 19 percent of total volumetric charges, which also includes supply charges, transmission charges, and all surcharges and adjustment factors applied to the base distribution rate. Residential customers with average monthly usage of 700 kWh, would save an estimated 3 percent, or $101, on their total annual bill on the proposed Electrification Pricing, assuming the current Basic Service rate, transmission rate, surcharges, and adjustment factors. Residential customers with higher monthly usage, including electric heating customers, will save more. Based on sample load profiles, the Company's analysis shows a customer using a three-ton Air Source Heat Pump ("ASHP") with average monthly usage of 1,107 kWh could save approximately 9 percent, or $425, on their total annual bill as compared to Rate R-1. All else equal, a customer using a five-ton ASHP with average monthly usage of 1,462 kWh could save approximately 11 percent, or $709, per year on their total bill. Customers relying on other high throughput electric technologies, such as at-home EV chargers and electric resistance heating, are also likely to save by opting into Electrification Pricing. Bill savings comparisons for these example customer load profiles are shown in the Table 2, below:

Table 21 – Savings from Electrification Pricing
Relative to Default Rate R-1 for Three Example Customer Profiles

Example Customer Usage (average annual kWh per month)	Default Rate R-1 Average Total Monthly Bill ($)	Electrification Pricing Average Total Monthly Bill ($)	Percent Savings from Electrification Pricing
700 kWh	$256	$247	3%
1,107 kWh (average residential customer usage plus 3-ton ASHP)	$398	$363	9%
1,462 kWh (average residential customer usage plus 5-ton ASHP)	$522	$463	11%

Q. How does the Company propose to recover any revenue shortfall that may result from Electrification Pricing customer savings?

A. Because Electrification Pricing will be offered as a policy-driven pricing option under the existing Rate R-1 rate class, savings to customers who opt in will be recovered through the Revenue Decoupling Mechanism ("RDM") and allocated to each rate class according to the appropriate distribution revenue allocators. Assuming 60.6 percent of savings from Electrification Pricing is allocated to the Rate R-1 and Rate R-2 rate classes, and assuming 100 percent of all customers with greater than average monthly usage opt into Electrification Pricing, a Rate R-1 customer with average monthly usage of 600 kWh will experience a 4.1 percent, or $108, increase to their total annual bill, all else equal. This estimated bill increase to customers with average consumption represents an upper bound, because it is unlikely that 100 percent of customers with the potential to save any amount – about 37 percent of all residential customers – will opt into Electrification Pricing. If 30 percent of all customers with the potential to save opt into Electrification Pricing, a Rate R-1 customer with average monthly usage of 600 kWh will experience a 1.2 percent, or $32, increase to their total annual bill, all else equal.

Notwithstanding the potential bill impact on non-participating customers, the purpose of the Electrification Pricing proposal is to encourage adoption and use of heat electrification technologies by making it more economical to do so, in support of the Commonwealth's electrification goals.

Q. Who is eligible to opt-in to the proposed Electrification Pricing option?

A. All customers receiving service under Rate R-1 are eligible to select Electrification Pricing. Customers who opt into Electrification Pricing must remain enrolled for a minimum of 12 billing cycles before returning to default Rate R-1 pricing. Customers who return to default Rate R-1 pricing are eligible to opt back into Electrification Pricing after 12 billing cycles.

Q. What is the relationship between the proposed Electrification Pricing and the proposed Rate R-2 Low-Income Discount?

A. The Company proposes to initially implement the Electrification Pricing option under Rate R-1 only. Once implemented, the Company plans to assess the effectiveness of, and customer response to, the pricing option and determine whether and how to expand eligibility to customers taking service under Rate R-2.

Customers taking service under Rate R-2 may choose to switch to Rate R-1 and opt into Electrification Pricing if they believe their savings and benefits from Electrification Pricing will be greater than those they would receive from the Rate R-2 Low-Income Discount. This is unlikely to be the case for the vast majority of eligible customers, however, because the 32 percent total bill discount under Rate R-2 significantly exceeds the maximum possible savings from Electrification Pricing for even the highest usage residential customers. As the Company progresses its rate design approach in the coming years with the data available from AMI deployment, the intention is to enable provision of innovative rates that work together with new and existing low-income programs to provide the most benefit for customers.

While the proposed Electrification Pricing option will not be initially available to customers taking service under Rate R-2, the Company's EE programs support affordability of electrification for customers who qualify for the Low-Income Discount. Any Rate R-2 customer who heats with electric resistance or a deliverable fuel, and resides in a dwelling where a heat pump can safely and effectively be utilized to heat that dwelling, can receive a heat pump at no cost to them, delivered through the income-eligible EE programs.

Q. Have other public utilities implemented similar electrification rates?

A. Yes. A handful of other U.S. public utilities have implemented rate designs to lower the costs of electric heating or levelized costs to reduce the shock from winter bills, including Maine, New York, Michigan, California, Minnesota, Pennsylvania, Delaware, and South Dakota. Some of these rates are designed specifically for electric heating and may require customer affirmation that specified electric heating technologies are in use, while others are technology neutral and marketed more generally to homes with electric heat and EVs. These rates are generally opt-in rates, like the Company's Electrification Pricing proposal, and include one or more of the following elements: (a) seasonal differentiation in volumetric rates, with modestly to dramatically lower kWh costs in the winter, either as a seasonal rate or a flat winter credit or discount; (b) increased fixed charges to allow for a lower volumetric rate; (c) TOU components that allow a significant portion of heat pump usage to fall into lower cost off-peak hours; or (d) declining block structures or the elimination of inclining block structures to reduce disincentives for higher electric demand. Rates differ in their scope of coverage.

VII. Conclusion

Q. Does this conclude your testimony?

A. Yes.

INDEX OF EXHIBITS AND WORKPAPERS

Exhibit NG-CP-1	Pre-Filed Direct Testimony of the Customer Panel
Exhibit NG-CP-2	Rate R-2 Implementation Cost Summary
Exhibit NG-CP-3	Low-Income Discount Tier Design Analysis
Exhibit NG-CP-4	LMI Market Segment Ethnography Study
Exhibit NG-CP-5	Customer Enrollment in Existing Assistance Programs
Exhibit NG-CP-6	Low-Income Dedicated FTE Job Descriptions
Exhibit NG-CP-7	Outreach and Education Program Proposal