

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF PUBLIC UTILITIES**

<b>Petition of Unutil (Electric Division) for a General Increase in Base Distribution Rates and a Performance-Based Ratemaking Plan</b>	) ) ) ) )	<b>D.P.U. 23-80</b>
<b>Petition of Unutil (Gas Division) for a General Increase in Base Distribution Rates and a Performance-Based Ratemaking Plan</b>	) ) ) ) )	<b>D.P.U. 23-81</b>

**REPLY BRIEF OF THE  
MASSACHUSETTS DEPARTMENT OF ENERGY RESOURCES**

In accordance with the Procedural Schedule set forth by the Department of Public Utilities (Department), the Massachusetts Department of Energy Resources (DOER) respectfully submits the following Reply Brief in the above-referenced proceeding.<sup>1</sup>

**I. BACKGROUND**

In its Initial Brief, DOER highlighted the need for rate design to equitably incentivize electrification and alignment of the electric distribution system and gas distribution system of Fitchburg Gas and Electric Light Company, d/b/a Unutil, (Company) with the Commonwealth’s climate and clean energy goals. DOER recommended that the Department: (1) direct the Company to modify the proposed heat pump rate design to support electrification; (2) approve the Company’s proposed increase in electric customer charges; (3) reject the proposed increase in the low-income discount rate and direct the Company to file a multi-tiered discount rate; and

---

<sup>1</sup> Silence with respect to any issues or arguments raised in this proceeding should not be construed as acquiescence or consent by DOER.

(4) direct the Company to conduct the York Ave Case Study for targeted electrification and gas decommissioning within the instant proceeding. In this Reply Brief, DOER responds to the Initial Briefs of the Office of the Attorney General (AGO) and the Company and requests that the Department: (1) not delay implementation of the Company’s proposed heat pump rate design with DOER’s proposed modifications; (2) approve the Company’s proposed increase in electric customer charges given its promotion of electrification; (3) reject the proposed increase in the low-income discount rate and address a multi-tiered discount rate consistent with the Department’s investigation into energy burden (D.P.U. 24-15); and (4) find conducting the York Ave Case Study within the instant proceeding as necessary and appropriate.

## II. ARGUMENT

### A. The Department Should Not Delay Implementation of the Proposed Heat Pump Rate Design with DOER’s Proposed Modifications

The Company proposed a new, seasonal residential heat pump rate to support the Commonwealth’s electrification and carbon-reduction goals.<sup>2</sup> DOER recommends extending the Company’s revenue-neutral approach as applied to the distribution charge to the Company’s reconciling mechanisms to further decrease the operating costs of heat pumps in the winter, which would increase the incentive to adopt heat pumps.

#### 1. *Response to the Company*

The Company suggests that “DOER is trying to incentivize adoption of heat pumps without understanding the implications on costs for reconciling mechanisms.”<sup>3</sup> The Company contends that reconciling mechanisms are recovered on a kilowatt-hour (kWh) basis and there is

---

<sup>2</sup> *Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil (Electric Division), pursuant to G.L. c. 164, § 94 and 220 CMR 5.00, for Approval of a General Increase in Base Distribution Rates for Electric Service and a Performance-Based Ratemaking Plan*, D.P.U. 23-80, Exh. Unitil-RBH-1 at 38-40; Exh. Unitil-JDT-1 at 24; Exh. D.P.U. 2-07 at 1.

<sup>3</sup> D.P.U. 23-80, Company Initial Brief at 380.

“no established rationale for why customers should pay the same amount for a reconciling mechanism if their consumption increases or decreases.”<sup>4</sup> The Company, however, does not provide reason for why reconciling mechanisms are collected on a kWh basis other than that it represents the status quo. While the volumetric approach to reconciling mechanisms has historically been justified to promote conservation,<sup>5</sup> the magnitude of reconciling mechanisms has grown substantially over time, representing an even larger portion of volumetric rates as compared to the Company’s proposed distribution charge – \$0.12577/kWh and \$0.09997/kWh, respectively.<sup>6</sup> This context is crucial to understand DOER’s recommendation to apply seasonally differentiated reconciling mechanisms. Given the scale of reconciling mechanisms relative to customers’ overall electric bills, excluding them from the heat pump rate significantly blunts the power of the rate to incentivize electrification. DOER has underscored the importance of electrification (*i.e.*, increasing electricity consumption) in meeting the Commonwealth’s decarbonization goals and the Company fails to address if its limited rate application will adequately incentivize customers to transition to electric heating.<sup>7</sup>

Further, the Company argues that annual reconciliation filings are not the appropriate avenue for the Department to monitor and the Company to modify the heat pump rate designs, as necessary; instead, the Company suggests any such changes can be proposed as part of the next base rate case proceeding.<sup>8</sup> The Company states “reconciliation filings review the costs and

---

<sup>4</sup> *Id.* at 381.

<sup>5</sup> *Investigation by the Department of Public Utilities on its own Motion into Rate Structures that will Promote Efficient Deployment of Demand Resources*, D.P.U. 07-50-A Order at 59.

<sup>6</sup> D.P.U. 23-80; *Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil (Gas Division)*, pursuant to G.L. c. 164, § 94 and 220 CMR 5.00, for Approval of a General Increase in Base Distribution Rates for Gas Service and a Performance-Based Ratemaking Plan, D.P.U. 23-81, DOER Initial Brief at 10.

<sup>7</sup> *Id.* at 9-11.

<sup>8</sup> D.P.U. 23-80, Company Initial Brief at 382.

revenues associated with certain cost recovery mechanisms” and “are not rate design proceedings.”<sup>9</sup> The Company’s argument is inconsistent with its proposal for a performance based revenue adjustment that annually adjusts rates without a full rate design proceeding each year.<sup>10</sup> While DOER is not recommending an annual reconciliation of the heat pump rates, DOER notes the Department’s authority to review and, as necessary, modify the rate offering if the rate design leads to unintended consequences or other factors warrant modification.<sup>11</sup> DOER reaffirms that the Company’s annual reconciliation filing is the appropriate context by which the Department can evaluate these factors. Alternatively, the Department may prefer the Company file a compliance filing with the necessary information by a date certain whereby the Department can determine if a revenue-neutral adjustment is necessary to address significant, unintended cross-subsidization.

Finally, the Company responded to DOER’s recommendation that the Company be required to report on key metrics regarding customer transition to heat pump rates by outlining evidence that the Company provided information on the record in the instant proceeding.<sup>12</sup> DOER’s recommendation, however, was directed towards tracking and reporting on an ongoing basis following the Department’s decision on the rate offerings. Specifically, DOER

---

<sup>9</sup> *Id.*

<sup>10</sup> See M.D.P.U. Nos. 404, 408.

<sup>11</sup> See e.g., *Petition of Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid to the Department of Public Utilities for approval of an increase in distribution rates*, D.P.U. 09-39 at 88 (noting the Department may review and modify such a cap, as necessary, over the course of the Company’s revenue decoupling adjustment filings); see also, *Petition of Bay State Gas Company to the Department of Public Utilities for Approval of a Base-Revenue Adjustment*, D.P.U. 09-30 at 117 (ruling it is appropriate to continually evaluate and monitor changes in the market that could violate our existing ratemaking goals and render this cap inappropriate).

<sup>12</sup> D.P.U. 23-80, Company Initial Brief at 381.

recommended the Department direct the Company to report on key metrics at least annually.<sup>13</sup> Moreover, the Company misinterprets DOER's recommendations regarding advanced metering functionality (AMF), particularly interval metering.<sup>14</sup> DOER points to the Company's installation of AMF to provide additional insights on the use and load pattern impacts of customers installing heat pump technology; such that as the Company gains the ability, it can report on time-interval data for customers pre- and post-heat pump installation.<sup>15</sup>

## ***2. Response to the AGO***

The AGO recommends the Department reject the Company's proposed residential heat pump rates, or as an alternative, approve the rates only for customers who have fully displaced all of their space heating appliances with heat pumps.<sup>16</sup> DOER agrees with the AGO that "a comprehensive approach to designing rates and load management programs will assist in the development of well-designed rates to support electrification in the Commonwealth."<sup>17</sup> That shared commitment has motivated DOER's participation, with the AGO, in the Interagency Rates Working Group (IRWG), which will develop recommendations to align rate design with the Commonwealth's decarbonization goals by the end of the year. DOER remains mindful, however, of the urgency of advancing electric rate designs that align with the Commonwealth's decarbonization goals, particularly for a Company that serves households with a higher energy burden than other households across the Commonwealth.<sup>18</sup> While DOER is confident that the IRWG's recommendations will be actionable, delaying review of heat pump rates until after the IRWG releases its study and recommendations, as the AGO recommends, would miss an

---

<sup>13</sup> D.P.U. 23-80; D.P.U. 23-81, DOER Initial Brief at 15-16.

<sup>14</sup> D.P.U. 23-80, Company Initial Brief at 381-382.

<sup>15</sup> D.P.U. 23-80; D.P.U. 23-81, DOER Initial Brief at 15-16.

<sup>16</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 89-90.

<sup>17</sup> *Id.*

<sup>18</sup> D.P.U. 23-80, Exh. Unutil-RBH-1 at 12.

opportunity to encourage heat pump adoption in the short-term.<sup>19</sup> The Company's stated timelines indicate that their proposed heat pump rates, if approved, could be offered to customers in early 2025, shortly following the IRWG's final recommendations.<sup>20</sup> It is important to provide this opportunity to encourage heat pump adoption in the short-term and not make customers wait the additional year or two that would be needed to implement recommendations from the IRWG. Further, DOER notes that implementation of the Company's heat pump rate design provides an opportunity to inform the expansion of near- and long-term rate designs the IRWG will consider.<sup>21</sup>

The AGO states the Company "has not demonstrated that the proposed rates appropriately balance the competing interests of supporting electrification and conservation goals, such as sending appropriate price signals to decrease load at the most expensive times of the day to delay or minimize investment costs; cost causation, and cost-shifting."<sup>22</sup> On the matter of sending appropriate price signals to minimize investment costs, the Company's default residential rate provides no such advantage over the proposed residential heat pump rate, as both retain a flat volumetric rate throughout the day (*i.e.*, the rate for a kWh is the same during peak demand as it is off-peak, despite the former contributing to needed capacity upgrades and the latter requiring no additional investments). In the future, the Company may broadly offer time-varying rates to its customers to provide more appropriate price signals to decrease load at the most expensive times of the day to delay or minimize investment costs, growing on the

---

<sup>19</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 90.

<sup>20</sup> D.P.U. 23-80, Exh. Unutil-JDT-1 at 25.

<sup>21</sup> *See*, D.P.U. 23-80; D.P.U. 23-81, DOER Initial Brief at 15-18 (highlighting the importance of the Company reporting on key metrics; conducting robust marketing, education, and outreach; and the Department monitoring and modifying the rate design, as necessary).

<sup>22</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 89.

Company's experience with its EV-RES rate. Until then, the Company's proposed heat pump rate, with DOER's modifications, represents a reasonable strategy to incentivize electrification and minimize an increase in demand during the Company's peak hours.

The AGO raised concern that the Company has not fully "considered how heat pump adoption and its proposed heat pump rates might impact capacity requirements and associated infrastructure costs."<sup>23</sup> Short of an allocated cost of service study, the Company cannot be certain of the costs associated with customers using heat pumps; however, the expected load profile of heat pumps and the current capacity of the Company's system minimizes the necessity of costly upgrades in the near-term. In fact, distribution system costs are largely fixed in the short-term and do not vary based on the amount of energy consumed.<sup>24</sup> The Company forecasts its system to be summer peaking, the point in time with the systems highest demand, until 2033.<sup>25</sup> These forecasted peaks establish the capacity requirements of the system, which means the Company's distribution system, and its associated infrastructure costs are dictated by these peaks. In other words, the system has additional headroom during the winter for electrification technologies to increase load without triggering capacity upgrades. Further, the Company's projected 2024 peak load (kVA) across all its distribution circuits and substation transformers are still significantly below their loading constraints.<sup>26</sup> In the near-term, system peaks will continue to occur in the summer during the late evening (*i.e.*, 7:00 PM).<sup>27</sup> Since heat pump usage will increase demand most significantly in the winter, particularly overnight and in the early morning when temperatures are colder, the technology is not likely to be coincident with system peaks.

---

<sup>23</sup> *Id.* at 89, n.54.

<sup>24</sup> D.P.U. 23-80, Exh. Unifil-JDT-1 at 20.

<sup>25</sup> D.P.U. 23-80, Exh. AG 12-1 Attachment 2 at 118, Table 25.

<sup>26</sup> *Id.* at 78-79, Tables 12 & 13.

<sup>27</sup> *Id.* at 118, Table 25.

Therefore, heat pump adoption can occur in the Company’s service territory through the next five years with minimal impact on capacity requirements and associated infrastructure costs. As such, the proposed heat pump rate, providing a discounted volumetric rate during the winter, maintains the principle of cost causation. Moreover, the heat pump rate designs retain the same volumetric rates as the standard residential rate class during the summer when the Company expects the system to peak until 2033, which minimizes the value of delaying approval of this rate structure for additional data on cooling usage changes associated with heat pump installation.<sup>28</sup> Implementing a heat pump rate now will also provide real-time data on customer behavior and system impacts that may offer a future cost-of-service study more complete information regarding the very issue the AGO raises here.

Further, the heat pump rates, modified as DOER recommends, minimizes the risk of cost shifting between customers. The AGO expects the heat pump rates will create “a revenue shortfall that will be subsidized by other customers” as a customer on a heat pump rate will experience a lower volumetric during the winter.<sup>29</sup> The Company designed the rate classes HP-RES and HP-RES LI such that the distribution charge will be billed on a revenue-neutral basis.<sup>30</sup> Importantly, this provides a measure of protection for all other ratepayers; safeguarding other ratepayers from subsidizing the cost-savings associated with the HP-RES and HP-RES LI rate. Namely, cost-shifting is limited to instances in which the Company’s assumptions for developing the heat pump rate design are contradicted through data and analysis retrieved from further deployment of heat pumps within the service territory. DOER acknowledges there may be opportunities for improvements to this new rate, and recommends the Department monitor and,

---

<sup>28</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 89, n.54.

<sup>29</sup> *Id.*

<sup>30</sup> D.P.U. 23-80, Exh. Unutil-JDT-1 at 24-25; Tr. Vol. 3 at 210.



as necessary, modify the rate offering in the context of the Company's appropriate annual reconciliation filings.<sup>31</sup> Finally, DOER recognizes the intuition behind the AGO's alternative recommendation for approving the heat pump rates for "customers who have fully displaced all of their space heating appliances with heat pumps."<sup>32</sup> DOER recognizes, however, that a contributing factor for partial heat pump installations may have been the Company's high electric rates. If the heat pump rates are offered to these customers, they may change their behavior (*e.g.*, avoid using fossil fuel back up heat) since the cost to heat with electricity will be significantly lower. Therefore, DOER remains supportive of the Company's current threshold for enrolling in the heat pump rate.

The Company's proposed heat pump rate is a reasonable approach that balances the necessary pace of electrification with traditional standards of rate design (*e.g.*, efficiency, fairness). Therefore, DOER recommends the Department direct the Company to modify its proposed heat pump rate design to include seasonally differentiated reconciling mechanisms within the instant proceeding, such that the Company's customers can leverage rate structures that will effectuate the Commonwealth's strategic electrification goals.

### **III. THE COMPANY'S PROPOSED INCREASE IN ELECTRIC CUSTOMER CHARGES IS REASONABLE AND BALANCES THE INCENTIVES FOR ELECTRIFICATION AND ENERGY EFFICIENCY**

The Company proposed an increase to its residential (RD-1 and RD-2) customer charges from \$7.00 to \$8.50 per month and small commercial (GD-1) customer charges from \$10.00 to \$12.00 per month.<sup>33</sup> The AGO argues the Department should reject the Company's proposed increase in customer charges as it "conflicts with the Department's energy efficiency objectives

---

<sup>31</sup> D.P.U. 23-80; D.P.U. 23-81, DOER Initial Brief at 18.

<sup>32</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 90.

<sup>33</sup> D.P.U. 23-80, Exh. Unifil-JDT-5 Rev. 2 (2-1-24) at 1-3.

because it reduces customers’ economic incentive to reduce energy consumption” and increases “the rate burden for lower income customers.”<sup>34</sup> While DOER strongly agrees with the importance of incentivizing energy efficiency, the AGO’s argument that “promoting the efficient consumption of energy by increasing volumetric price incentives provides better price signals,” does not acknowledge the increasing focus of energy efficiency programming in the Commonwealth on building and transportation electrification.<sup>35</sup> As the Department has previously stated, the Three-Year Plan Program Administrators, including the Company, will “engage in a level of strategic electrification by 2024 that, despite the energy efficiency measures designed to lower electric use, will result in a net lifetime increase in kWh consumption in the residential sector.”<sup>36</sup> Higher volumetric rates will *disincentivize* strategic electrification and jeopardize the Commonwealth’s central decarbonization strategy to electrify the heating and transportation sectors outlined in the Massachusetts Clean Energy and Climate Plan for 2025 and 2030.<sup>37</sup>

Finally, the AGO states the “Company’s proposal to increase the customer charges also shifts class rate burdens to lower-use customers,” which the AGO argues is problematic citing a positive correlation between energy use and household income.<sup>38</sup> DOER is mindful of the impact the Company’s rates will have on low-income customers, particularly given the affordability concerns within the Company’s service territory. DOER acknowledges the

---

<sup>34</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 83.

<sup>35</sup> *Id.*

<sup>36</sup> *Petitions pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of Three Year Energy Efficiency Plans for 2022 through 2024*, D.P.U. 21-120 through 21-129 Order at 230 (Jan. 31, 2022).

<sup>37</sup> Executive Office of Energy and Environmental Affairs, *Massachusetts Clean Energy and Climate Plan for 2025 and 2030*, available at <https://www.mass.gov/doc/clean-energy-and-climate-plan-for-2025-and-2030/download>.

<sup>38</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 83-84.

necessity of additional incentives to low-income ratepayers to ensure they do not experience disproportionate harm from gas customers leaving the system during the clean energy transition. As the Commonwealth prioritizes strategic electrification, all customers, including low-income, will increase their electric usage through the adoption of high-throughput end-use technologies (e.g., air-source heat pumps, electric vehicles). State programs target additional incentives for electrification to low-income customers, who can adopt these technologies with increased incentives, for example through the Massachusetts Offers Rebates for Electric Vehicles<sup>39</sup> and Mass Save® income-based assistance programs,<sup>40</sup> meaning low-income users are likely to also experience increases in electric demand due to decarbonization initiatives. Therefore, the correlation between household income and electric usage the AGO cites is likely to lessen and reduces the salience of the AGO’s concern about fixed charges. DOER, therefore, recommends the Department approve the proposed increase in customer charges to support a just, reasonable, and more cost-reflective electric rate design, while balancing the incentives for electrification and energy efficiency.

#### **IV. REJECT THE PROPOSED INCREASE IN THE LOW-INCOME DISCOUNT RATE AND ADDRESS A MULTI-TIERED DISCOUNT RATE CONSISTENT WITH THE DEPARTMENT’S INVESTIGATION INTO ENERGY BURDEN**

The Company proposed an increase to its low-income discount rate from 34.50 percent to 40.00 percent of a customer’s total bill.<sup>41</sup> The AGO recommends that the Department retain the Company’s current low-income discount of 34.50 percent and require the company to file a proposed low-income discount rate consistent with a future Order in D.P.U. 24-15, or in the alternative, direct the Company to file a proposed rate consistent with its directive to the electric

---

<sup>39</sup> <https://mor-ev.org/cars-overview>

<sup>40</sup> <https://www.masssave.com/en/residential/programs-and-services/income-based-offers>

<sup>41</sup> D.P.U. 23-80, Exh. Unutil-CGDN-1 at 74.

distribution companies (EDCs) in D.P.U. 22-22.<sup>42</sup> DOER concurs with the AGO that the Company's proposal does not appropriately address energy burden and affordability of the Company's customers. At a minimum, DOER underscores the AGO's request that the "Department not allow [the Company] to wait until its next base rate proceeding to propose a rate consistent with the Department's objectives in D.P.U. 22-22."<sup>43</sup>

The Company argues the Department should reject DOER and the AGO's recommendations as "there is no record evidence in this proceeding upon which such a proposal could be based" and that "DOER did not make any substantive proposal regarding the number of tiers, the income break-down per tier, the administration of the tiered, etc."<sup>44</sup> The Company incorrectly suggests that DOER's recommendation requires a substantive proposal or record evidence in the instant case.<sup>45</sup> DOER and the AGO point to evidence on the record in this proceeding that the Company's proposed increase to its low-income discount rate is inappropriate (*e.g.*, the Company's proposed increase to its electric discount rate has minimal impact on the energy burden of the customers who need it most and may have unintended consequences).<sup>46</sup> DOER encourages the Department to direct the Company to propose a multi-tiered low-income discount rate, where it could satisfy its burden to propose the appropriate "number of tiers, the income break-down per tier, the administration of the tiered, etc.," that more specifically targets the most in need households as the Department considered in D.P.U.

---

<sup>42</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 84-85.

<sup>43</sup> *Id.* at 88.

<sup>44</sup> D.P.U. 23-81, Company Initial Brief at 233.

<sup>45</sup> M.G.L. c. 30A, §§ 10-11; *see also* *Petition seeking to reduce rates for consumers who are electric utility ratepayers of the Fitchburg Gas and Electric Light Company*, D.T.E. 99-118 at 7.9 "[T]he burden of proof is the duty imposed upon a proponent of a fact whose case requires proof of that fact to persuade the factfinder that the fact exists or, where a demonstration of nonexistence is required, to persuade the factfinder of the non-existence of that fact."

<sup>46</sup> AGO Initial Brief at 84-88; DOER Initial Brief 21-25.

22-22.<sup>47</sup> Specifically, DOER supports the AGO’s recommendation to direct the Company to file a tiered rate proposal within nine months of a final Order in this proceeding.<sup>48</sup> This step will allow for the Department and other stakeholders, including the Low-Income Energy Affordability Network and the National Consumer Law Center whom the Company points out have not been parties to this proceeding, to consider the relative merits and appropriateness of the modified bill discount approach in the context of the Department’s investigation into energy burden and affordability.<sup>49</sup> Finally, the Company argues “it seems inefficient and a poor use of limited Company resources to develop and implement a tiered discount rate ahead of the Department indicating, in D.P.U. 24-15, the direction it intends to take to address affordability issues in the Commonwealth.”<sup>50</sup> DOER expects the Company is taking a more proactive approach to address affordability and believes it appropriate for the Company to demonstrate alternatives to the current flat, low-income discount rate. Further, the Department has, thus far, indicated support for exploring and evaluating tiered low-income discount rates.<sup>51</sup> The Company is best positioned to offer an initial proposal for a tiered, low-income discount rate based on the Company’s understanding of its energy burdened customers, experience with implementation in New Hampshire, and the feasibility of integrating the rate structure with its billing system.

---

<sup>47</sup> D.P.U. 22-22 Order at 472.

<sup>48</sup> D.P.U. 23-80; D.P.U. 23-81, AGO Initial Brief at 86.

<sup>49</sup> D.P.U. 23-81 Company Initial Brief at 233.

<sup>50</sup> *Id.*

<sup>51</sup> *Petition of NSTAR Electric Company, doing business as Eversource Energy for Approval of a General Increase in Base Distribution Rates for Electric Service and a Performance-Based Ratemaking Plan*, D.P.U. 22-22, Order at 472; *Notice of Inquiry by the Department of Public Utilities on its own Motion into Energy Burden with a Focus on Energy Affordability for Residential Ratepayers*, D.P.U. 24-15, Order Opening Inquiry at 14-16.

As such, DOER recommends the Department reject the Company's proposed increase in the low-income rate; direct the Company to propose a multi-tiered low-income discount rate consistent with the AGO's recommendation; and evaluate the Company's proposal in the context of its investigation into energy burden (D.P.U. 24-15).

#### **V. CONDUCTING THE YORK AVE CASE STUDY WITHIN THE INSTANT PROCEEDING IS NECESSARY AND APPROPRIATE**

In its Initial Brief, the Company refutes DOER's characterization that their proposed gas system investment is a "business-as-usual" approach, highlighting their transition from cost of service regulation (COSR) to a performance-based ratemaking (PBR) plan model.<sup>52</sup> While the proposed PBR plan certainly reflects a change in the proposed method of cost recovery for the Company, DOER maintains that the proposed gas system investments in this rate case do not reflect a commitment by the Company to dramatically reduce customers' reliance on natural gas, as required to meet climate mandates. The Company states that the proposed PBR plan "well positions the Company to respond to the energy evolution" by providing flexibility and incentives to control costs.<sup>53</sup> Although the Company touts the flexibility that a PBR plan will provide them, the proposed plan fails to provide any specifics regarding how it would *use* that flexibility to reduce reliance on natural gas or shift customers to electrified heating or other non-emitting gas alternatives. The Company highlights its scorecard-only metrics related to emissions reductions as evidence of its commitment to emissions reductions,<sup>54</sup> but these metrics would merely: (1) track progress on projects related to its Gas System Enhancement Plan (GSEP), which are already required by statute; and (2) track the Company's efforts to reduce its

---

<sup>52</sup> D.P.U. 23-81, Company Initial Brief at 99.

<sup>53</sup> *Id.* at 100.

<sup>54</sup> *Id.*, citing GSMP-1 at 28-34

own enterprise emissions, not that of its customers.<sup>55</sup> These metrics do not reflect new or incremental commitments by the Company to reduce its customers' reliance on natural gas. Therefore, DOER continues to find the proposed gas system investment plan deficient in aligning with greenhouse gas (GHG) reduction goals.

To rectify the Company's lack of GHG reduction actions in its filing, DOER proposed the Company complete a case study of targeted electrification for York Ave. in Fitchburg and file a report with the results in a compliance filing in this docket no later than January 31, 2025, or another date certain that is prior to the Company's submission of its first Climate Compliance Plan on April 1, 2025.<sup>56</sup> The Company rejects DOER's recommendation to complete the York Ave. strategic electrification case study in this proceeding, arguing that DOER is seeking to "artificially accelerate the Company's timeline for carefully and deliberately investigating and analyzing what all parties can agree is a complex issue."<sup>57</sup>

Rather than representing an "artificial" acceleration, DOER believes the urgency of the Commonwealth's statutory emissions reduction targets for 2025 and 2030 mean it is of paramount importance that the pilot proposals that the Company will file by March 1, 2026, in compliance with D.P.U. 20-80-B be as far advanced as possible. The case study is merely a preliminary analytical exercise to scope the costs and feasibility of a pilot proposal. Substantial additional work would remain after completion of the case study to design and implement a pilot program, as described in Phases Two, Three, and Four in DOER's Initial Testimony.<sup>58</sup> Creating an interim milestone for a completion of an initial case study in this proceeding is a reasonable

---

<sup>55</sup> M.G.L. c. 164, § 145; D.P.U. 23-81, Company Initial Brief at 114-117.

<sup>56</sup> D.P.U. 23-80; D.P.U. 23-81, DOER Initial Brief at 29.

<sup>57</sup> D.P.U. 23-81, Company Initial Brief at 101.

<sup>58</sup> D.P.U. 23-80; D.P.U. 23-81, Exh. DOER-1 at 21-23.

and justifiable measure to ensure the Company has the best possible proposals in its forthcoming Climate Compliance Plan and to rectify the misalignment between the proposed gas system plan in this proceeding and the Commonwealth's climate goals.

## VI. CONCLUSION

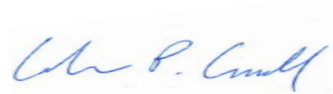
Consistent with the Department's authority under G.L. c. 164, §§ 94 and 141, to ensure that the Company's proposal results in just and reasonable rates and promotes the reduction of GHG emissions, DOER requests that the Department:

- Direct the Company to modify the proposed heat pump rate design to support electrification expeditiously;
- Approve the Company's proposed increase in electric customer charges;
- Reject the proposed increase in the low-income discount rate and direct the Company to file a multi-tiered discount rate proposal; and
- Direct the Company to conduct the York Ave Case Study within the instant proceeding.

Respectfully submitted,

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF ENERGY RESOURCES

By its attorneys:



Colin P. Carroll  
Sarah McDaniel  
Rachel Graham Evans  
Department of Energy Resources  
100 Cambridge Street, 9<sup>th</sup> Floor  
Boston, MA 02114

DATE: April 25, 2024



**Certificate of Service**

I hereby certify that I have this day served the foregoing documents upon all parties of record in this proceeding in accordance with the requirements of 220 CMR 1.05(1).

/s/ Colin P. Carroll  
Colin P. Carroll

DATE: April 25, 2024