

The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 24-15-A

September 12, 2024

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.

INTERLOCUTORY ORDER ON NEXT STEPS IN INVESTIGATION OF ENERGY AFFORDABILITY

I. INTRODUCTION

On January 4, 2024, the Department of Public Utilities (“Department”) issued a Vote and Order opening this inquiry to examine energy burden with a focus on energy affordability for residential ratepayers. In particular, the Department seeks to consider improvements to existing policies and programs that address energy affordability, to ensure maximum participation in each of these programs, and to determine whether additional programs may further benefit residential ratepayers of the Commonwealth’s electric and gas distribution companies.

In the Vote and Order, the Department solicited comments on topics regarding the design of residential energy affordability programs, arrearage management programs, disconnection protections, and energy affordability program administration. The Department received comments from over 100 interested stakeholders, including members of the public, advocates, and Department-regulated entities. These included the following stakeholders, the comments from which we discuss further below: Boston Gas Company d/b/a National Grid, Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid (“National Grid”), NSTAR Electric Company d/b/a Eversource Energy, NSTAR Gas Company, and Eversource Gas Company of Massachusetts, each d/b/a Eversource Energy (“Eversource”), Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”), Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty (“Liberty”), and The Berkshire Gas Company (“Berkshire”) (collectively, “Distribution Companies”); Attorney General of the Commonwealth (“Attorney General”); Department of Energy Resources (“DOER”); Conservation Law Foundation (“CLF”); environmental and consumer advocates; National Consumer Law Center (“NCLC”); Low-Income Energy Affordability Network (“LEAN”); American Council for an Energy

Efficient Economy (“ACEEE”); Northeast Clean Energy Council (“NECEC”); Metropolitan Area Planning Council (“MAPC”); Vote Solar; Acadia Center; City of Boston; and Cape Light Compact.

On June 24, 2024, following review of the comments, the Department convened a virtual all-day Energy Burden Workshop (“Workshop”), interpreted into six languages other than English and attended by about 100 people. The Workshop agenda began with an overview of energy burden by RMI (formerly Rocky Mountain Institute) and then proceeded with discussion sessions on the following topics: environmental justice; percentage of income payment plans (“PIPPs”);¹ tiered discount rates (“TDRs”);² reducing energy burden through rate design and energy efficiency programs; customer outreach and demographics; verification and enrollment; and a low-income customer perspective on verification, enrollment, customer outreach, and discount rates.

¹ Pursuant to a PIPP, eligible customers pay a predetermined percentage of income for utility service, bills may be capped at a set percentage each month, and benefit levels may be tailored to achieve an established affordability goal (June 18, 2024 NCLC presentation at 3, <https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/19232265> (last visited August 19, 2024)).

² TDRs offer a range of income-eligible discount rates that more directly address energy burdens for different income groups, with higher discount rates for customers at the lower end of the income scale and lower discount rates for customers at the higher end of the income scale (June 17, 2024 Distribution Companies presentation at 5, <https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/19223735> (last visited August 19, 2024); June 17, 2024 RMI presentation at 24, <https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/19223723> (last visited August 19, 2024)). Each of the Distribution Companies currently offers a flat low-income discount rate, and many have proposed revisions to these rates in recent years. D.P.U. 24-15, Vote and Order at 6.

Based on the input received from the comments and the Workshop, the Department has determined that there are some areas of consensus, as noted below. Further, to narrow the scope of this proceeding, the Department has elected to make preliminary determinations in two specific areas, subject to relevant comments and further discussion. For most of the issues, however, we find that there are too many differing opinions and remaining questions to make any decisions at this time without additional input. We have therefore developed a series of more focused questions seeking input on these issues. At the end of this Order, we provide instruction on how to provide responses to these questions as well as comments on any of the issues addressed herein. We also anticipate scheduling technical sessions to facilitate discussion on these issues and any others still to be determined.

II. AREAS OF CONSENSUS

The following items represent areas of consensus based on the comments received.

- A. Energy affordability programs should be designed so that total household energy burden is no more than six percent (Distribution Companies Comments at 17, 19, 21; Attorney General Comments at 11; NCLC Comments at 5, 9-10; Acadia Center Comments at 3, 6; ACEEE Comments at 1-2).³
- B. Eligibility for energy affordability programs should continue to be based on both household income and household size, not just income alone (Distribution Companies Comments at 7, 18; Attorney General Comments at 5 & n.11, 8, 19; LEAN Comments at 8).
- C. Both heating and non-heating customers should continue to be eligible for energy affordability programs (Distribution Companies Comments at 21; Attorney General Comments at 18-19; NCLC Comments at 12; LEAN Comments at 9).

³ The Department recognizes that total energy burden, regardless of fuel, should be no more than six percent, but the Department does not regulate oil, propane, or other heating fuels. We look forward to comments that might help us develop policies beneficial to all Massachusetts households regardless of their fuel source.

- D. Customers in arrears should continue to be eligible for energy affordability programs (Distribution Companies Comments at 13; Attorney General Comments at 8; NCLC Comments at 6; LEAN Comments at 9; CLF Comments at 6; Vote Solar Comments at 1; Acadia Center Comments at 4; MAPC Comments at 2).
- E. Energy affordability and outreach should target Environmental Justice populations and income-eligible households outside of Environmental Justice populations (Distribution Companies Comments at 16; Attorney General Comments at 11, 14; NCLC Comments at 8-9; LEAN Comments at 8-9; CLF Comments at 7-9; Environmental and Consumer Advocates Comments at 4-6; Acadia Center Comments at 5; Cape Light Compact Comments at 9; NECEC Comments at 3; City of Boston Comments at 8).
- F. In addition to the existing electric service disconnection protections during winter months, these protections should be extended to periods of extreme heat and poor air quality (Distribution Companies Comments at 31; Attorney General Comments at 25; NCLC Comments at 18-21; LEAN Comments at 9-10; City of Boston Comments at 5-6; NECEC Comments at 3; Cape Light Compact Comments at 14-15).⁴

III. DECISION POINTS

A. TDRs v. PIPPs

The Department received input on both PIPPs and TDRs. Many commenters expressed support for further exploration of PIPPs, noting that they can deliver energy affordability with precision based on a household's actual income (Attorney General Comments at 1; ACEEE Comments at 2; Acadia Center Comments at 2-3; NCLC Comments at 2-3; NECEC Comments at 3).⁵ Many also acknowledged the higher administrative costs, privacy concerns, and complexity in implementing PIPPs because of the need to tailor reductions to actual household income, all of which may present participation barriers (Attorney General Comments at 1; NCLC

⁴ Many members of the public also filed comments in favor of disconnection protections during the summer air conditioning season.

⁵ Many members of the public also filed comments stating a preference for limiting bills to a percentage of income.

Comments at 3; CLF Comments at 3-4). The Attorney General recommended blending the advantages of PIPPs and TDRs by adding a baseline flat discount rate to a PIPP applied automatically to households that demonstrate eligibility until the additional data necessary to administer the PIPP is available (Attorney General Comments at 2; see also CLF Comments at 4 (noting implementation of a fixed credit option PIPP in Pennsylvania and New Jersey, which functions as a monthly fixed bill credit)).

Many of these same commenters noted that a TDR would be less precise than a PIPP but would also be less costly, less administratively burdensome, and easier to implement (Attorney General Comments at 1-2; CLF Comments at 5). Some noted that customers could be automatically enrolled in TDRs without implementation or administrative costs (Attorney General Comments at 1-2; CLF Comments at 5). The Distribution Companies favor use of TDRs as they allow for more flexibility and lower compliance costs and do not require the company to retain private household income information (Distribution Companies Comments at 7-9). The Distribution Companies also pointed out that if the income tiers are broad enough, small fluctuations in household income would be unlikely to result in a change of a household's tier or associated discount rate (Distribution Companies Comments at 9). Some commenters did not offer a preference, stating that both options should be explored (Cape Light Compact Comments at 5; DOER Comments at 7-8; MAPC Comments at 3).

On balance, the Department has determined that this inquiry should focus on the development of TDRs rather than PIPPs. The primary reason for this is to facilitate a change to the current discount rate program that will enable us to address energy affordability and provide meaningful benefits to customers sooner rather than later. Based on the current application of

low-income discount rates, TDRs can be more easily implemented with arguably fewer administrative costs and participation burdens than PIPPs. We also note that the TDRs implemented in New Hampshire as well as explored in National Grid's currently pending base rate proceeding for its electric distribution companies, D.P.U. 23-150, may provide instructive examples for this investigation. We have further determined that we should pursue a TDR framework that targets certain levels of household energy burdens for electric and gas customers, with possible variances depending on primary heating fuel.

Having determined to focus our inquiry on energy burden-targeted TDRs, we offer several questions and issues for further examination, including questions regarding the determination of the appropriate energy burden target levels and the frequency of the review of discount tiers for possible adjustment. Those questions are listed below in Section IV.B.

B. Recovery of Revenue Shortfall

The Department sought input on how the revenue shortfall associated with energy affordability programs should be recovered. Recovery for discounts and incremental costs related to arrearage management programs ("AMPs") currently occurs through the residential assistance adjustment factor ("RAAF") across all rate classes within each company's respective service area. National Grid and Eversource prefer maintaining the RAAF within their service territories only so that their customers do not subsidize customers outside of their service territories (Distribution Companies Comments at 20). Berkshire, Liberty, and Unitil support a statewide approach to cost recovery because they serve a relatively small number of customers (primarily residential), their service areas include a relatively large number of Environmental Justice populations, low-income customers, and households that have higher energy burdens than

elsewhere in the Commonwealth (Distribution Companies Comments at 20). Thus, Berkshire, Liberty, and Unitil submit that sharing the costs of energy affordability programs across the state may be an equitable approach to cost recovery (Distribution Companies Comments at 20-21). The Attorney General and Cape Light Compact also suggested exploring statewide recovery of costs (Attorney General Comments at 18; Cape Light Compact Comments at 10).

Some commenters recommended that customers on discount rates should be exempted from paying for the cost of providing the discounts recovered through the RAAF (NCLC Comments at 6-7; Cape Light Compact Comments at 10). Other commenters recommended further investigation into covering the costs through taxpayer subsidization, state or federal funding, and shareholder contributions (Attorney General Comments at 18; Acadia Center Comments at 5; NCLC Comments at 25; Cape Light Compact Comments at 10; Vote Solar Comments at 2-3).

On balance, the Department has determined that recovery of the revenue shortfall from providing discounts should continue to be collected through company-specific RAAFs, across all customer classes. Nevertheless, the Department offers several questions to explore changes to the current recovery structure, such as whether recovery should be statewide, whether there should be shareholder contributions, and whether state or federal funding could potentially be another source of contributions. We also note that G.L. c. 164, § 1F(4)(i) provides that the “cost of such discounts shall be included in the rates charged to all other customers of a distribution company,” which raises the question of whether those receiving a discounted rate should pay for the shortfall. Further questions related to recovery of the revenue shortfall are listed below in Section IV.C.

IV. AREAS FOR FURTHER INQUIRY/OUTLINE QUESTIONS FOR INCOMPLETELY DEFINED ISSUES

A. Introduction

In addition to the areas of consensus and decision points discussed above, the Department has identified issues that warrant further investigation and comments from stakeholders.

Accordingly, the Department requests stakeholders to comment on any of the following issues.

The Department encourages stakeholders to provide data when available and to identify regulatory or statutory impediments to preferred policies where appropriate.

B. TDR details with target energy burden

1. What target level of total household energy burden below six percent should a TDR be designed to achieve to provide a benefit to the highest number of customers? How should the energy burden target be shared by gas versus electric costs? How should it be shared by heating versus non-heating costs?
2. What are the advantages and disadvantages of using percentage of area median income (“AMI”) versus percentage of state median income (“SMI”) for determining eligibility and tiers?
3. How often should an established TDR structure be reviewed and amended to ensure alignment with changes in energy prices, inflation, usage trends, or other such items?
4. Should the discount rate vary based on usage?
5. Should the discount rate vary based on receipt of other similar benefits?
6. Should consumption tiers be integrated into the TDR design?

C. Recovery of revenue shortfall from discount rates

1. Whether and how should discount rate customers be excluded from having to pay for the shortfall (i.e., excluded from paying the RAAF)?
2. Should recovery be statewide (with separate recovery for gas versus electric) instead of utility-wide?

3. Whether and how should shareholders contribute to recovery of the revenue shortfall? Do shareholders benefit from the availability of more comprehensive discount rates?
4. What are the advantages and disadvantages of using other sources of funding, such as federal or state, to recover the revenue shortfall? What other federal or state funds are appropriately characterized as mitigating energy burdens already? If federal or state funds are applied to offset revenue shortfalls, how should such funds be integrated into the RAAF formula?

D. AMPs

1. Should all the Distribution Companies structure their AMPs in the same manner? Should they all use a standard formula for the level of debt forgiveness provided annually to eligible ratepayers?
2. Should AMPs be offered to customers in the 60-80 percent AMI/SMI income bracket?

E. Disconnection for nonpayment

1. Should disconnection for nonpayment be prohibited regardless of the date or season?
2. Should reconnection fees be eliminated for discount rate-eligible customers? What are the costs of eliminating reconnection fees for discount rate customers?
3. Should reconnection fees be eliminated for all customers?⁶ What are the costs of eliminating reconnection fees?
4. Please discuss the advantages and disadvantages of implementing a moratorium on electric disconnections during the entire summer period versus a moratorium on disconnections only during periods of extreme heat or poor air quality. As part of this response, please comment on any statutory or regulatory impacts of changes to a moratorium on electric disconnections during summer months or periods of extreme heat or poor air quality.

⁶ The Distribution Companies do not charge disconnection fees (Distribution Companies Comments at 30).

F. Enrollment and verification

1. For the Distribution Companies, please explain each company's current process for automatically enrolling customers in discount rates.
2. For the Distribution Companies, please explain each company's current process for enrolling customers in discount rates through all means other than automatic enrollment.
3. How often and through what process should customers have to re-verify eligibility?
4. Whether and how can community action agencies ("CAAs"), community-based organizations ("CBOs"), and state agencies be used to facilitate enrollment, automatic or otherwise, and verification or re-verification?
5. Whether and how could state agencies establish a "one-stop shop" for enrollment, verification, and re-verification in all state assistance programs, including AMPs, discount rates, and service termination relief?
6. Please explain if there is a particular group of households or customers that are eligible to be served on the discount rate but are not, and explain the basis for this determination. Provide supporting data and analysis or explain what analysis needs to be performed to make such a determination.
7. What groups of eligible customers are difficult to enroll and why?
8. Whether and how to establish a self-verification process?
9. For National Grid and Opower, explain the pilot program to increase enrollment in financial assistance programs (commencing in summer 2023) and provide the resulting data and summary explanations of this data.

G. Outreach

1. By what methods should Distribution Companies enhance outreach efforts to inform customers that households between 200 percent of the federal poverty level and 60 percent SMI are eligible for discount rates?
2. Whether and how to target outreach to customers in those areas with the most disconnections and the most customers in arrearages or on AMPs, in

addition to targeting Environmental Justice populations and other demographics?

3. Whether and how CAAs and CBOs can be used to facilitate outreach?

V. REQUEST FOR COMMENTS

The Department seeks written comments on any or all of the above-noted issues and questions by **5:00 P.M. on Friday, November 1, 2024**. We encourage interested persons to present consensus positions and submit comments jointly, when possible. All comments should be submitted to the Department in electronic format by e-mail attachment to dpu.efiling@mass.gov and laurie.e.weisman@mass.gov. The text of the e-mail must specify: (1) the docket number of the proceeding (D.P.U. 24-15); (2) the name of the person or entity submitting the filing; and (3) that the document is a written comment. The electronic filing should also include the name, title, and telephone number of a person to contact in the event of questions about the filing. All documents submitted in electronic format will be posted on the Department's website by looking up the docket by its number in the docket database at <https://eeaonline.eea.state.ma.us/DPU/Fileroom/>.

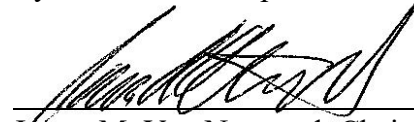
VI. ORDER

Accordingly, after notice, comment, and due consideration, it is:

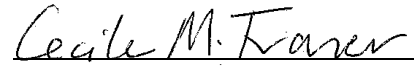
ORDERED: That the Department shall send a copy of this Order to all persons on the distribution list for this proceeding; and it is

FURTHER ORDERED: That written comments are due on November 1, 2024.

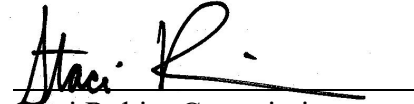
By Order of the Department,



James M. Van Nostrand, Chair



Cecile M. Fraser, Commissioner



Staci Rubin, Commissioner