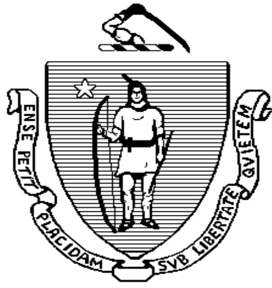

The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

February 28, 2025

D.P.U. 24-140

Petition of The Berkshire Gas Company, pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-141

Petition of Eversource Gas Company of Massachusetts, d/b/a Eversource Energy, pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-142

Petition of Fitchburg Gas and Electric Light Company, d/b/a Unitil (Gas Division), pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-143

Petition of Liberty Utilities (New England Natural Gas Company) Corp., d/b/a Liberty Utilities, pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-144

Petition of Boston Gas Company, d/b/a National Grid, pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-145

Petition of NSTAR Gas Company, d/b/a Eversource Energy, pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-146

Petition of the towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Eastham, Edgartown, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, Wellfleet, West Tisbury, and Yarmouth, and Dukes County, acting together as the Cape Light Compact JPE, pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-147

Petition of Fitchburg Gas and Electric Light Company, d/b/a Unitil (Electric Division), pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-148

Petition of Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

D.P.U. 24-149

Petition of NSTAR Electric Company, d/b/a Eversource Energy, pursuant to G.L. c. 25, § 21, for approval by the Department of Public Utilities of its Three-Year Energy Efficiency Plan for 2025 through 2027.

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EXECUTIVE SUMMARY

In this Order, the Department of Public Utilities approves the gas and electric Program Administrators' 2025-2027 Three-Year Energy Efficiency Plans subject to certain modifications and directives, including a significant reduction to the proposed budget to limit costs to ratepayers.

The Green Communities Act requires that every three years all electric and gas Program Administrators (i.e., the electric and gas distribution companies and municipal aggregators that provide the efficiency programs to customers) develop energy efficiency plans that pursue the acquisition of all available energy efficiency and demand reduction resources that are cost effective or less expensive than supply. G.L. c. 25, § 21(b)(1). Under the Three-Year Plans, the energy efficiency programs must be constructed to achieve the greenhouse gas emissions reductions goals set by the Energy and Environmental Affairs Secretary pursuant to G.L. c. 21N, § 3B. In addition, pursuant to the Clean Energy Act of 2022, the Program Administrators are required to develop strategies and investments to ensure equitable access to energy efficiency programs and to reduce or eliminate disparities in program uptake. St. 2022, c. 179. To achieve their goals, the Three-Year Plans emphasize driving electrification to lower greenhouse gas emissions (particularly through deployment of heat pumps), addressing barriers to participation for vulnerable and historically underserved customers, improving the customer experience, and strengthening and diversifying the workforce.

After careful consideration, the Department orders the Program Administrators to reduce the budget for the Three-Year Plans by a total of $500 million. When approving the use of ratepayer funds, the Department must assess the reasonableness of customer bill impacts, balanced against the long-term benefits that the investments will provide. The Department notes its strong support for the Program Administrators' decarbonization efforts and the pursuit of the Commonwealth's climate and equity goals yet is cautious about increasing ratepayer burdens when the benefits of the energy efficiency programs, particularly those focused on decarbonization, may not be evident to customers through lower bills. The Department is further concerned that the Program Administrators are proposing significant budget increases at a time when customers are facing unprecedented challenges due to an extended period of high inflation, and overall concern about high energy costs. The Department therefore directs the Program Administrators to reduce the Three-Year Plans budget to mitigate bill impacts for customers. Further, the Department directs the Program Administrators to fund the Three-Year Plans with non-ratepayer funds whenever possible.

The Department has carefully reviewed the 2025-2027 Three-Year Plans and appreciates the extensive and collaborative process that informed that plan, led by the Energy Efficiency Advisory Council. In this Order, the Department approves, subject to certain modifications, new proposals from the Program Administrators to address longstanding challenges in the delivery of energy efficiency programs. As a result of this careful planning and ongoing work to implement the programs, the Department finds that the Three-Year Plans will provide billions of dollars of

benefits, well exceeding program costs, especially when considering greenhouse gas emissions reductions.

This Order also reviews and approves the Program Administrators' strategies for ensuring equitable access to energy efficiency programs, including addressing barriers to program participation for historically underserved customers (i.e., low- and moderate-income customers, renters, customers with language access needs, and small businesses). The Program Administrators propose to invest $1.9 billion in energy efficiency and electrification improvements across the residential, low-income, and commercial and industrial sectors to improve equitable access to these programs. The Department applauds the Program Administrators' efforts to prioritize equity and incorporate distributive justice as a major tenet of the Three-Year Plans to ensure all customers can access and benefit from energy savings opportunities. The Department finds that these efforts will promote equity and help the Program Administrators pursue all cost-effective energy efficiency. G.L. c. 25, §§ 1A, 21(b)(1), 21(b)(2).

In addition, the Program Administrators dedicate certain portions of their budgets solely to the implementation of low-income programs to ensure that the Three-Year Plans benefit our most vulnerable residents. The Department notes that the proposed $1.2 billion statewide budget for the low-income program, which is double the proposed statewide investment in the low-income program from the prior 2022-2024 Three-Year Plans, provides an opportunity for unprecedented advancements in energy efficiency and decarbonization efforts for low-income customers.

This Order analyzes a novel proposal submitted by the Program Administrators to form a statewide pool to aggregate and apportion the costs, savings, and benefits of prescriptive electrification measures (i.e., retail heat pumps) across service areas and energy sectors (i.e., gas and electric Program Administrators). This proposal is designed to drive electrification and reduce GHG emissions by deploying heat pumps at a rapid pace across the Commonwealth, while also promoting rate continuity by preventing rate spikes in an individual Program Administrator's service area due to uneven uptake of heat pumps. The Program Administrators' approach received widespread stakeholder support. The Department finds this proposal reasonable and appropriate as a coordinated effort to encourage heat pump adoption wherever it can be achieved.

This Order also reviews numerous proposals to improve the delivery of energy efficiency services to residential, income-eligible, and commercial & industrial customers. Working with the Energy Efficiency Advisory Council and the Department of Energy Resources, the Program Administrators have developed new programs to better serve the needs of renters, as well as municipalities and businesses that plan to decarbonize. To target resources to areas with higher percentages of renters and residents who are low- or moderate-income, the Program Administrators selected 21 designated equity communities throughout the Commonwealth to receive enhanced offerings. The Program Administrators also plan several initiatives to improve the customer experience, including a statewide call center with multilingual staff to guide customers through weatherization and decarbonization offers. To incentivize technologies that

allow a Program Administrator to temporarily control certain thermostats or battery storage systems to reduce energy usage during the system peak, the Program Administrators will offer an improved ConnectedSolutions program. This Order approves, with certain modifications, these proposals.

The Department concludes that the scope and design of the Three-Year Plans are consistent with statutory requirements and Department's energy efficiency Guidelines and will support the Commonwealth's clean energy and equity goals. The Department acknowledges that the Program Administrators have taken steps to control costs associated with the Three-Year Plans, and to seek funding outside of ratepayers to support the energy efficiency programs. The Department, however, is mindful of the burdens associated with increased electric and gas rates and directs the Program Administrators to reduce the planned budget to mitigate bill impacts for customers.

I. INTRODUCTION AND PROCEDURAL HISTORY

On October 31, 2024, The Berkshire Gas Company ("Berkshire Gas"), Eversource Gas Company of Massachusetts, d/b/a Eversource Energy ("EGMA"), Fitchburg Gas and Electric Light Company, d/b/a Unitil (Gas Division) ("Unitil (gas)"), Liberty Utilities (New England Natural Gas Company) Corp., d/b/a Liberty ("Liberty"), Boston Gas Company, d/b/a National Grid ("National Grid (gas)"), NSTAR Gas Company, d/b/a Eversource Energy ("NSTAR Gas"), the Towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Eastham, Edgartown, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, Wellfleet, West Tisbury, and Yarmouth, and Dukes County, acting together as the Cape Light Compact JPE ("Compact"), Fitchburg Gas and Electric Light Company, d/b/a Unitil (Electric Division) ("Unitil (electric)"), Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid ("National Grid (electric)"), and NSTAR Electric Company, d/b/a Eversource Energy ("NSTAR Electric") (collectively "Program Administrators"), each filed a three-year energy efficiency plan with the Department of Public Utilities ("Department") for calendar years 2025 through 2027 ("Three-Year Plans").[1] The Program Administrators filed their Three-Year Plans pursuant to An Act Relative to Green Communities, St. 2008, c. 169, codified at G.L. c. 25, §§ 19, 21-22, as amended by An Act Relative to Competitively Priced Electricity in the Commonwealth, St. 2012, c. 209 ("Energy

[1] The Department docketed these matters as follows: (1) D.P.U. 24-140 for Berkshire Gas; (2) D.P.U. 24-141 for EGMA; (3) D.P.U. 24-142 for Unitil (gas); (4) D.P.U. 24-143 for Liberty; (5) D.P.U. 24-144 for National Grid (gas); (6) D.P.U. 24-145 for NSTAR Gas; (7) D.P.U. 24-146 for the Compact; (8) D.P.U. 24-147 for Unitil (electric); (9) D.P.U. 24-148 for National Grid (electric); and (10) D.P.U. 24-149 for NSTAR Electric.

Act of 2012"), by An Act to Advance Clean Energy, St. 2018, c. 227 ("Energy Act of 2018"), by An Act Creating a Next-Generation Roadmap for Massachusetts Climate Policy, St. 2021, c. 8 ("2021 Climate Act"), and by An Act Driving Clean Energy and Offshore Wind, St. 2022, c. 179 ("Clean Energy Act of 2022") (collectively "Green Communities Act"), Investigation by the Department of Public Utilities on its own Motion into Updating its Energy Efficiency Guidelines, D.P.U. 20-150-A (2021) ("Guidelines").[2]

Each Program Administrator seeks approval of its Three-Year Plan, including proposed programs, program budgets, cost-recovery mechanisms, and, with the exception of the Compact, a proposed performance incentive mechanism. Pursuant to the Energy Act of 2012, the Program Administrators also have incorporated their Residential Conservation Services ("RCS") filings in their respective Three-Year Plans. St. 2012, c. 209, § 32(h), (i).

On September 18, 2024, the Attorney General of the Commonwealth of Massachusetts ("Attorney General") filed, pursuant to G.L. c. 12, § 11E, a notice of intervention as a full party in each Three-Year Plan docket. On November 7, 2024, the Department granted the petitions to

[2] The Guidelines set forth the filing requirements and memorialize the process by which the Department reviews and evaluates the Three-Year Plans. D.P.U. 20-150-A at 1-3. In addition, on September 6, 2024, the Department issued a Procedural Memorandum directing each Program Administrator to provide certain additional information and testimony with its Three-Year Plan filing. 2025-2027 Three-Year Energy Efficiency Plans, D.P.U. 24-140 through D.P.U. 24-149, Procedural Memorandum (September 6, 2024). Finally, on October 11, 2024, the Department issued a second Procedural Memorandum directing the Program Administrators to submit public outreach plans for Department review pursuant to Procedures for Enhancing Awareness and Participation, D.P.U. 21-50-A at 35 (2024). 2025-2027 Three-Year Energy Efficiency Plans, D.P.U. 24-140 through D.P.U. 24-149, Procedural Memorandum (October 11, 2024). The Three-Year Plans proceedings have been identified as "Tier 2" proceedings. D.P.U. 21-50-A, Appendix at 3. The Program Administrators submitted public outreach plans, including plain language summaries, on October 24, 2024.

intervene as full parties in each Three-Year Plan docket of the Massachusetts Department of Energy Resources ("DOER"), Conservation Law Foundation ("CLF"), the Low-Income Weatherization and Fuel Assistance Program Network and the Low-Income Energy Affordability Network (together, "LEAN"), Acadia Center ("Acadia"), Enerwise Global Technologies, LLC, d/b/a CPower ("CPower") and Sunrun Inc. ("Sunrun"). Also on November 7, 2025, the Department granted the Green Energy Consumers Alliance ("Green Energy") petition to intervene as a full party in dockets D.P.U. 24-141, D.P.U. 24-144, D.P.U. 24-145, D.P.U. 24-148, and D.P.U. 24-149.

Pursuant to Guidelines § 3.7.2(c), the Department conducted a virtual joint technical session on November 19, 2024, designed to reduce the need for non-substantive discovery requests. D.P.U. 24-140 through D.P.U. 24-149, Hearing Officer Memorandum (November 13, 2024). Pursuant to notice duly issued,[3] the Department held four joint public hearings.[4,5] The

[3] The Department issued an Order of Notice of Filing and Public Hearings on November 4, 2024.

[4] The Department held joint public hearings in each docket. These cases, however, are not consolidated and remain separate proceedings. The public hearings were held in person in Worcester (December 3, 2024), New Bedford (December 4, 2024), and Boston (December 5, 2024). One public hearing was held virtually on December 5, 2024.

[5] The Department received oral and written comments during the public comment period, including from Mayor Michelle Wu of the City of Boston, representatives of the Metropolitan Area Planning Council, the geothermal industry, building electrification advocacy organizations, landlords, HVAC suppliers, and from several members of the public, among others. Many commenters support the Three-Year Plans as proposed. Commenters addressed: (1) equity initiatives and incentives in the Plans to support accessibility and equity in efficiency and electrification; (2) partnerships with municipalities in reaching underserved customers and communities; (3) incentives for houses of worship and potentially other nonprofits; (4) reduction in incentives for ground source heat pumps beginning in 2026; (5) the need for transparency, accountability,

Department held two days of evidentiary hearings on December 11 and 12, 2024. The Department also included a Compact-specific portion of the evidentiary hearing on December 12, 2024. The Program Administrators sponsored the testimony of 33 witnesses.[6,7] In addition, the Attorney General sponsored the testimony of two witnesses,[8] and the intervenors sponsored the testimony of four witnesses.[9]

On December 17, 2024, the Department issued a Hearing Officer Memorandum directing the parties to file separate briefs addressing three legal questions related to the Program Administrators' proposed joint electrification cost pooling and allocation proposal, detailed in

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equity targets, and procedural justice; (6) the proposed Building Decarbonization Clearinghouse; (7) bulk purchasing of equipment; and (8) incentives for rental properties, particularly in designated equity communities.

[6] The following internal witnesses provided testimony on behalf of the Program Administrators in their respective dockets: (1) Jillian Winterkorn and Richard Del Soldato (Berkshire Gas); (2) Brandy Chambers, Erin Engelkemeyer, Brian Greenfield, Katherine Peters, Amit Kulkami, Kimberly Cullinane, Christopher McClellan, Violette Radomski, Christine Riley Hastings, Jhenny Saint-Surin, Tilak Subrahmanian, Kyle Svendsen, Mary Quan, and Meghan Chadwick (NSTAR Electric, NSTAR Gas, and EGMA); (3) Cindy Carroll, Mary Downes (Unitil (gas) and Unitil (electric)); (4) Stephanie Terach and Autumn Snyder (Liberty); (5) Whitney Brougher, Melanie Coen, Joshua Kessler, Joel Martell, Steven Menges, Christopher Porter, Sonakshi Saxena, Akanksha Dubey, Zachary Lippert, and Kelsey Watkins (National Grid (electric) and National Grid (gas)); and (6) Margaret Downey, Briana Kane, and Margaret Song (Compact).

[7] The Compact sponsored the testimony of two external witnesses, Erin Malone of Synapse Energy Economics, Inc., and Daniel Sullivan, CPA.

[8] The Attorney General sponsored the testimony of two witnesses, Theodore Love and Joseph Nunley of Green Energy Group.

[9] CPower sponsored the testimony of Darren Hammell of Enerwise Global Technologies LLC. CLF sponsored the testimony of two witnesses, Mary Wambui from the Planning Office for Urban Affairs, and Shalynn Brooks from the Clean Water Fund. Green Energy sponsored the testimony of Larry Chretien, its Executive Director.

Section VI. D.P.U. 24-140 through D.P.U. 24-149, Hearing Officer Memorandum at 2 (December 17, 2024). On January 6, 2025, the Program Administrators, Attorney General, DOER, LEAN, CLF, Green Energy, and Acadia filed responses to the legal briefing questions. On January 13, 2025, the Program Administrators submitted a reply to intervenor responses to the legal briefing questions.

On December 30, 2024, Acadia filed a brief in each docket. On January 6, 2025, the Program Administrators, Attorney General, DOER, CLF, LEAN, CPower, and Green Energy[10] filed briefs in each docket; the Program Administrators filed a joint brief. On January 13, 2025, the Program Administrators, Attorney General, DOER, CLF, and Green Energy filed reply briefs in each docket; the Program Administrators filed a joint reply brief. Finally, the evidentiary record in each docket includes numerous exhibits and the Program Administrators' responses to eight record requests.[11]

II. BACKGROUND

A. Development of Three-Year Plans

Pursuant to the Green Communities Act, all Program Administrators are required to develop energy efficiency plans that "provide for the acquisition of all available energy efficiency and demand reduction resources that are cost effective or less expensive than supply." G.L. c. 25, § 21(b)(1). The Green Communities Act establishes an Energy Efficiency Advisory

[10] Green Energy only submitted briefs in D.P.U. 24-141, D.P.U. 24-144, D.P.U. 24-145, D.P.U. 24-148, and D.P.U. 24-149.

[11] The combined total number of exhibits for all dockets is more than 3,000 (Joint Exhibit List (December 9, 2024)).

Council ("Council")[12] and directs Program Administrators, in coordination with the Council, to prepare a three-year, statewide energy efficiency plan ("Statewide Plan"). G.L. c. 25, § 21(b)(1).

Programs contained in the energy efficiency investment plan (i.e., the Statewide Plan) may include, but are not limited to: (1) efficiency and load management programs, including programs for energy storage and other active demand management technologies and strategic electrification, such as measures that are designed to result in cost-effective reductions in greenhouse gas ("GHG") emissions through the use of expanded electricity consumption while minimizing ratepayer costs; (2) demand response programs; (3) programs for research, development, and commercialization of products or processes that are more energy efficient than those generally available; (4) programs for the development of markets for such products and processes, including recommendations for new appliance and product efficiency standards; (5) programs providing support for energy use assessment, real time monitoring systems,

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12 As of the date of their vote in favor of the proposed 2025-2027 Three-Year Plans, the Council's 15 voting members represented the following interests: (1) residential consumers; (2) the Low-income Weatherization and Fuel Assistance Program Network; (3) the environmental community; (4) businesses, including large commercial and industrial end-users; (5) the manufacturing industry; (6) energy efficiency experts; (7) organized labor; (8) the Department of Environmental Protection ("DEP"); (9) the Attorney General; (10) the Executive Office of Economic Development; (11) the Massachusetts Non-profit Network; (12) a city or town in the Commonwealth, (13) the Massachusetts Association of Realtors; (14) a business employing fewer than ten persons located in the Commonwealth that performs energy efficiency services; and (15) DOER. G.L. c. 25, § 22(a). The Council membership also includes one non-voting member representing each of the following: (1) each Program Administrator; (2) the heating oil industry; (3) ISO New England ("ISO-NE"); and (4) energy efficiency businesses. G.L. c. 25, § 22(a). DOER serves as chair of the Council. Effective January 1, 2028, the Council membership will be modified, in part, pursuant to An Act Promoting a Clean Energy Grid, Advancing Equity and Protecting Ratepayers. St. 2024, c. 239 (approved November 20, 2024) ("2024 Climate Act").

engineering studies and services related to new construction or major building renovation, including integration of such assessments, systems, studies, and services with building energy codes programs and processes, or those regarding the development of high performance or sustainable buildings that exceed code; (6) programs for the design, manufacture, commercialization, and purchase of energy-efficient appliances and heating, air conditioning, and lighting devices; (7) programs for planning and evaluation; (8) programs providing commercial, industrial, and institutional customers with greater flexibility and control over demand-side investments funded by the programs at their facilities; (9) programs for public education regarding energy efficiency and demand management; and (10) programs that result in customers switching to renewable energy sources or other clean energy technologies including, but not limited to, programs that combine efficiency and electrification with renewable generation and storage. G.L. c. 25, § 21(b)(2).

Pursuant to G.L. c. 25, § 21(c), the Program Administrators must submit a draft Statewide Plan to the Council every three years on or before March 31st. The Council must then review the Statewide Plan and submit its approval or recommendations to the Program Administrators not later than three months after submission of the draft Statewide Plan.[13] The Program Administrators may make any changes or revisions to the draft Statewide Plan to reflect the input of the Council. G.L. c. 25, § 21(c).

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[13] The Council's statutory role in the development of the Statewide Plan concludes three months after submission of the Statewide Plan by the Program Administrators at which time the Council must offer its approval or comments to the Program Administrators. G.L. c. 25, § 21(c). Approval of a Statewide Plan requires a two-thirds majority vote of the Council. G.L. c. 25, § 22(b).

Pursuant to G.L. 21N, § 3B, the Executive Office of Energy and Environmental Affairs ("EEA") sets the statewide goals for GHG emissions reductions to be achieved through the through the Statewide Plan by March 1st of the year in which the plan is submitted. On March 1, 2024, the Secretary of EEA ("EEA Secretary") set the goal for the 2025-2027 Three-Year Plans at one million metric tons of 2030 annual cumulative GHG emissions reductions, with an assumed budget of less than five billion dollars (Statewide Plan, Exh. 1, at 52; App. V at 3 ("EEA Secretary's Letter")).

Every three years, each Program Administrator must develop and file with the Department an individual Three-Year Plan based on the Statewide Plan. G.L. c. 25, § 21(d)(1). On or before October 31st of the applicable year, each Program Administrator must submit its Three-Year Plan to the Department together with the Council's approval or comments and a statement of any unresolved issues. G.L. c. 25, § 21(d)(1).

The Department is required to conduct a public hearing to allow interested persons to be heard on the Three-Year Plans. G.L. c. 25, § 21(d)(1). Within 120 days of the filing date, the Department must approve, modify, or reject and require the resubmission of the Three-Year Plans. G.L. c. 25, § 21(d)(2).

As required by the Green Communities Act, the Council worked with the Program Administrators to develop the energy efficiency programs and budgets in the Statewide Plan. G.L. c. 25, § 22(b). On December 20, 2023, the Council issued a resolution containing certain recommendations to the Program Administrators as they prepared their draft Statewide Plan (Statewide Plan, Exh. 1, at 42, App. W at 1). As part of the development of the Statewide Plan, the Program Administrators participated in six workshops convened by the Council, two public

comment listening sessions, and reviewed oral and written public comments at regular Council meetings while developing the Statewide Plan (Statewide Plan, Exh. 1, at 42). In addition to the formal and collaborative process with the Council in developing the Statewide Plan, the Program Administrators also engaged a broad range of stakeholders, including customers, community partners, contractors, trade allies, manufacturers, distributors, equity advocates, evaluators, and energy experts (Statewide Plan, Exh. 1, at 43). The Program Administrators also worked closely with the Attorney General, DOER, and the Council's consultants to review aspects of the Statewide Plan, savings, and cost assumptions to come to agreement on major elements (Statewide Plan, Exh. 1, at 43).

Consistent with G.L. c. 25, § 21(c), the Program Administrators filed the draft Statewide Plan with the Council on April 1, 2024.[14] The Council issued a resolution three months later, on July 2, 2024, providing comments on the Statewide Plan (Statewide Plan, Exh. 1, at 42). Following the passage of the Council's resolution, on August 15, 2024, the Program Administrators submitted a response to the Council's resolution describing each Council recommendation, whether and how the Program Administrators intended to address the issue as part of the Statewide Plan, and all program design changes from the April draft that the Program Administrators planned to incorporate in the final Statewide Plan to be filed with the Department (Statewide Plan, Exh. 1, at 42-43). On September 25, 2024, the Program Administrators submitted a revised Statewide Plan and supporting data tables incorporating the changes outlined

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[14] The Program Administrators note that because the statutorily defined deadline of March 31, 2024, was a Sunday, they submitted the draft Statewide Plan on April 1, 2024 (Statewide Plan, Exh. 1, at 42).

in the Program Administrators' August update to the Council (Statewide Plan, Exh. 1, at 43). During its regular meeting on October 23, 2024, the Council reviewed and voted to approve the Statewide Plan (and the Program Administrators' respective Three-Year Plans, to the extent that they are consistent with the Statewide Plan) (Statewide Plan, Exh. 1, at 43, App. W at 10). On October 31, 2024, the Program Administrators filed their Three-Year Plans with the Department.

B. Department Review of Three-Year Plans

Pursuant to the Green Communities Act, each Program Administrator's Three-Year Plan must provide for the acquisition of all available energy efficiency resources that are cost effective or less expensive than supply. G.L. c. 25, §§ 19(a), 21(a), 21(b)(1), 21(b)(2). Further, a Program Administrator must demonstrate that it will meet its resource needs first through cost-effective energy efficiency and demand reduction resources to mitigate capacity and energy costs for all customers. G.L. c. 25, §§ 19(a), 19(b), 21(a), 21(b)(1); see also Guidelines § 3.4.7. Further, when determining cost effectiveness, the calculation of benefits shall include calculations of the social value of GHG emissions reductions. G.L. c. 25 § 21(a). The Three-Year Plans must provide for the acquisition of these resources with the lowest reasonable customer contribution. G.L. c. 25, § 21(b)(1).

A Program Administrator must demonstrate that its Three-Year Plan: (1) establishes a sustainable effort in its continued delivery of energy efficiency; (2) considers new technologies and enhancements; (3) includes the results of avoided cost studies, potential studies, and evaluation, measurement, and verification ("EM&V") studies; and (4) seeks to design programs to address identified barriers. Guidelines § 3.4.7; 2013-2015 Three-Year Energy Efficiency Plans, D.P.U. 12-100 through D.P.U. 12-111, at 37-40 (2013) ("2013-2015 Three-Year Plans

Order”). In addition, when reviewing the Three-Year Plans, the Department must ensure that the Program Administrators: (1) have minimized administrative costs to the fullest extent practicable; (2) will use competitive procurement processes to the fullest extent practicable; and (3) have allocated to the low-income sector at least ten percent of the funds for electric energy efficiency programs and 20 percent of the funds for gas energy efficiency programs. G.L. c. 25, §§ 19(a), (b), (c), 21(b)(3).

Certain changes to the Green Communities Act and the Global Warming Solutions Act, St. 2008, c. 298 (“GWSA”), have added requirements to the three-year planning process. In particular, the Clean Energy Act of 2022 requires Program Administrators to develop strategies and investments to ensure equitable access to energy efficiency programs and to reduce or eliminate disparities in program uptake. St. 2022, c. 179, § 26; G.L. c. 25, § 21(b)(2). The Clean Energy Act of 2022 also prohibits spending on incentives or support for new fossil fuel equipment from Mass Save programming (subject to certain exceptions including the low-income program), adds environmental and equity concerns to the list of priorities for energy efficiency programs, and requires quarterly reporting on GHG emissions reduction. St. 2022, c. 179, §§ 23-30; G.L. c. 25, § 21(b)(2).

For the purpose of evaluating cost effectiveness, the Green Communities Act, as amended by the Energy Act of 2018, provides that review occurs at the sector level (i.e., residential, low income, and commercial and industrial (“C&I”)). St. 2018, c. 227, § 6; see G.L. c. 25, § 21(b)(3). If a sector benefit-cost ratio (“BCR”) exceeds one, then the sector is deemed to be cost effective. St. 2018, c. 227, § 6; see G.L. c. 25, § 21(b)(3). If, however, a sector fails the cost-effectiveness test, then its component programs shall be modified so that the

sector is cost effective, or the program must be terminated. St. 2018, c. 227, § 6; see G.L. c. 25, § 21(b)(3). The 2021 Climate Act also requires that when determining cost effectiveness, the calculation of benefits must include the "social value of GHG emissions reductions, except in the cases of conversions from fossil fuel heating and cooling to fossil fuel heating and cooling." St. 2021, c. 8, § 21; see G.L. c. 25, § 21. In addition, the 2021 Climate Act requires that the Department and the entities it regulates (e.g., the Program Administrators) prioritize safety, security, reliability of service, affordability, equity, and reductions in GHG emissions to meet statewide GHG emission limits and sublimits established pursuant to G.L. c. 21N. St. 2021, c. 8, § 15; see G.L. c. 25, § 1A. The Department addresses these priorities on a case-by-case basis as relevant to each proceeding. See, e.g., Massachusetts Municipal Wholesale Electric Company, D.P.U. 21-29, at 31 n.15 (2021); Boston Gas Company, D.P.U. 21-GC-10, at 3-4 (2021).

The Department has found that in the pursuit of all cost-effective energy efficiency, the Program Administrators must balance the additional flexibility in program design and implementation afforded by sector-level cost-effectiveness review under the Energy Act of 2018, with bill impacts and the prudent use of ratepayer funds. 2019-2021 Three-Year Energy Efficiency Plans, D.P.U. 18-110 through D.P.U. 18-119, at 72-74 (2019) ("2019-2021 Three-Year Plans Order"). In doing so, the Program Administrators must consider cost efficiency, as well as cost effectiveness.[15]

[15] To assess cost efficiency and, thereby, the prudence of expenditures, the Department requires the Program Administrators to report cost effectiveness at the program and core initiative levels, in addition to the sector level. 2019-2021 Three-Year Plans Order, at 73-74; see also 2013-2015 Three-Year Plans Order, at 105.

Finally, to recover costs related to energy efficiency, electric Program Administrators must first fund the Three-Year Plans from multiple revenue sources, which are: (1) a mandatory $0.0025 per kilowatt-hour ("kWh") system benefits charge ("SBC"); (2) revenues from the forward capacity market ("FCM") administered by ISO-NE; (3) revenues from cap-and-trade pollution control programs (e.g., Regional Greenhouse Gas Initiative ("RGGI")); (4) energy efficiency surcharge ("EES"); and (5) other funding sources. Guidelines § 3.2.1; see also G.L. c. 25, § 19(a). The Department may also approve funding from gas and electric ratepayers through a fully reconciling funding mechanism, after considering the rate and bill impacts on consumers. G.L. c. 25, § 19(a), (b); Guidelines §§ 3.2.1; 3.2.2.

III. ALL COST-EFFECTIVE ENERGY EFFICIENCY

A. Introduction

The Green Communities Act requires each Three-Year Plan to provide for the acquisition of all available cost-effective energy efficiency resources. G.L. c. 25, §§ 19(a), 19(b), 21(a), 21(b)(1); see also Guidelines § 3.4.7. In addition, each Three-Year Plan must be constructed to meet the GHG emissions reduction goals set by the EEA Secretary pursuant to G.L. c. 21N, § 3B. St. 2021, c. 8, §§ 26A, 28; D.P.U. 20-150-A at 7, 50; Guidelines § 3.4.7. To achieve this mandate, the Program Administrators coordinate with the Council to develop the programs contained in the Three-Year Plans. G.L. c. 25, § 21(b)(1). The Department requires that the Program Administrators use a net lifetime all fuel savings metric for each energy efficiency program and core initiative. Guidelines § 3.4.7.2.[16] The net lifetime all fuel savings goal is

[16] The Department also requires that Program Administrators report net savings by fuel and electric demand savings. Guidelines § 3.4.7.2.

measured in MMBtus, inclusive of the embedded energy used to generate the electricity. D.P.U. 20-150-A at 50; 2019-2021 Three-Year Plans Order, at 156-157.

When reviewing the individual savings goals in the Three-Year Plans, the Department must ensure that each Program Administrator has: (1) established a sustainable effort in its continued delivery of energy efficiency; (2) considered new technologies and enhancements; (3) included the results of avoided costs, potential, and EM&V studies, and (4) sought to design programs to address identified barriers. 2022-2024 Three-Year Plans Order, at 34; 2019-2021 Three-Year Plans Order, at 10-11; 2016-2018 Three-Year Plans Order, at 25-27; 2013-2015 Three-Year Plans Order, at 37-40. These issues are relevant to the Department's ultimate determination of whether the Three-Year Plans will provide for the acquisition of all available cost-effective energy efficiency and demand resources. See G.L. c. 25, §§ 19(a), 19(b), 21(b)(1).

B. Program Administrators Proposal

1. Plan Goals and Budgets

The Program Administrators set savings goals and GHG emissions reduction goals for the Three-Year Plan term, both individually and in the aggregate (Statewide Plan, Exh. 1, App. C. (Rev.)). In total, the Program Administrators aim to reduce GHG emissions by 1,021,900 metric tons of CO_2e by 2030 (Statewide Plan, Exh. 1, App. C. (Rev.), Tab "GHG", Column C, Row 125). The aggregate MMBtu savings and GHG emissions reduction goals, and each Program Administrator's individual savings and GHG emissions reduction goals, are shown below in Tables 1 and 2, respectively.

Table 1: Individual Electric Program Administrator Goals (2025-2027 Total)[17]

	Lifetime Savings (MMBtu)	Avoided GHG Emissions (metric tons CO_2e in 2030)
National Grid (electric)[18]	45,478,436	243,206
NSTAR Electric	52,358,672	263,748
Unitil (electric)	889,332	4,688
Compact	7,359,800	44,978
Aggregate Statewide Goal	106,086,240	556,621

Table 2: Individual Gas Program Administrator Goals (2025-2027 Total)[19]

	Lifetime Savings (MMBtu)	Avoided GHG Emissions (metric tons CO_2e in 2030)
National Grid (gas)	42,502,724	246,510
NSTAR Gas	20,827,130	119,165
EGMA	15,120,985	81,583
Unitil (gas)	397,583	2,302
Berkshire	902,836	6,119
Liberty	1,509,124	9,602
Aggregate Statewide Goal	81,260,382	465,280

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17 Sources: Energy Efficiency Data Tables for each electric Program Administrator, see, e.g., Exh. NG-Electric-4 (Rev.), Tab "Savings," Column T, Row 127; Tab "GHG," Column C, Row 125. Aggregate Statewide Goal is the total for electric Program Administrators (Statewide Plan, Exh. 1, App. C. (Rev.), Tab "GHG").

18 In response to a record request, National Grid (electric) made corrections to quantities in the residential new-buildings low-rise single family measure and in the low-income core initiative, resulting in lower savings, benefits, and costs than originally reported (Exh. NG-Electric-4 (Rev.); RR-DPU-8).

On March 1, 2024, the EEA Secretary established an overall goal to reduce GHG emissions by one million metric tons by 2030, with an assumed budget of less than $5 billion (EEA Secretary's Letter). Of this total, the EEA Secretary allocated 625,000 metric tons to the electric Program Administrators and 375,000 metric tons to the gas Program Administrators (EEA Secretary's Letter at 2, Table 1). In addition, the EEA Secretary required the Program Administrators to: (1) consider measure life, as calculated effective March 1, 2025, to set and assess achievement toward the GHG emissions reduction goal; and (2) use a discount rate of 1.5 percent for the social value of GHG emissions reductions to calculate cost-effectiveness (Statewide Plan, Exh. 1, at 53; EEA Secretary's Letter at 3, 6).

The Program Administrators indicate that the Statewide Plan incorporates the EEA Secretary's goal to reduce GHG emissions by one million metric tons by 2030 with a total statewide budget of $4.99 billion, excluding performance incentives (Statewide Plan, Exh. 1, at 52; App. C (Rev.), Tab "GHG", Column C, Row 125, App. C (Rev.), Tab "Budget", Column H, Row 293). Of the total goal, the Program Administrators propose to allocate 556,621 metric tons of CO_2e emissions reductions to the electric Program Administrators and 465,280 metric tons of CO_2e emissions reductions to the gas Program Administrators, which

[19] Sources: Energy Efficiency Data Tables for each gas Program Administrator, see, e.g., Exh. EGMA-4 (Rev.), Tab "Savings," Column T, Row 127; Tab "GHG," Column C, Row 122. Aggregate Statewide Goal is the total for gas Program Administrators (Statewide Plan, Exh. 1, App. C. (Rev.), Tab "GHG").

differs from the allocation established by the EEA Secretary (Statewide Plan, Exh. 1, at 52; App. C (Rev.) Tab "GHG"; EEA Secretary's Letter at 2).[20]

The EEA Secretary established the following priorities for the Program Administrators to consider when designing the Three-Year Plans: (1) decarbonizing buildings; (2) delivering programs equitably; (3) including a plan framework to support long-term heat pump installations and electrification of commercial buildings; (4) improving the customer experience; and (5) increasing the workforce development investments to increase diversity and expand the workforce (Statewide Plan, Exh. 1, EEA Secretary's Letter at 3).

In addition, in designing the Three-Year Plans, the Program Administrators state that they considered: (1) the need for a long-term, sustainable plan in the continued delivery of energy efficiency programs; (2) new technologies and enhancements; (3) the results of avoided cost studies, potential studies, and evaluation studies; (4) the need to design programs to address identified barriers to participation; (5) equity; (6) economic and environmental benefits; (7) bill impacts; (8) cost efficiency; (9) the quality of program implementation; (10) contractor and market infrastructure; (11) innovation; (12) customer experience; (13) customer economic conditions; (14) changing market and economic conditions; (15) the need to provide consistency over time; and (16) the priorities articulated by stakeholders and public commenters (Statewide Plan, Exh. 1, at 54). To this end, the Program Administrators indicate that the proposed

[20] The Program Administrators indicate that they are allowed some flexibility in the allocation of the EEA Secretary's overall GHG emissions reduction goal between the gas and electric Program Administrators to facilitate the achievement of the overall goal (Statewide Plan, Exh. 1, EEA Secretary's Letter at 2 n.2; Exh. DPU-Comm 14-1).

Three-Year Plans also include significant decarbonization, equity, and customer experience improvements (as described in Section III.B.2, below) (Statewide Plan, Exh. 1, at 6).

The Three-Year Plans include a total proposed budget of $4,993,053,019 (Statewide Plan, Exh. 1, App. C. (Rev.), Table IV.C.1; EEA Secretary's Letter at 2).[21] In addition, the Program Administrators propose performance incentives of $196,667,959, bringing the total proposed budget to $5,189,720,978 (Statewide Plan, Exh. 1, App. C. (Rev.), Table IV.C.1). Of that total, $3,214,129,289 in program costs and $117,643,755 in performance incentives are for the electric Program Administrators and $1,778,923,730 in program costs and $79,024,204 in performance incentives are for the gas Program Administrators (Statewide Plan, Exh. 1, App. C. (Rev.), Table IV.C.1 – Statewide Electric; Statewide Gas). The proposed budgets by sector for electric and gas Program Administrators are shown in Tables 3 and 4 below.

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[21] The "Ref" tab in App. C. (Rev) includes slicers to customize which Program Administrators are represented by the data in Table IV.C.1.

Table 3: Electric Program Administrators Budget by Sector and Year[22,23]

	2025	2026	2027	2025-2027
Residential	$510,940,181	$545,062,780	$620,025,117	$1,676,028,078
Low-Income	$208,428,207	$239,104,164	$270,365,885	$717,898,256
Commercial & Industrial	$253,272,889	$283,620,348	$283,309,718	$820,202,955
Total Program Cost	**$972,641,277**	**$1,067,787,292**	**$1,173,700,720**	**$3,214,129,289**
Performance Incentive	$34,402,153	$38,768,947	$44,472,655	$117,643,755
Total Budget	**$1,007,043,430**	**$1,106,556,239**	**$1,218,173,375**	**$3,331,773,044**

Table 4: Gas Program Administrators Budget by Sector and Year[24,25]

	2025	2026	2027	2025-2027
Residential	$312,685,167	$334,473,796	$372,480,287	$1,019,639,250
Low-Income	$144,343,208	$151,628,359	$160,386,771	$456,358,337
Commercial & Industrial	$92,920,260	$101,231,303	$108,774,580	$302,926,143
Total Program Cost	**$549,948,635**	**$587,333,457**	**$641,641,638**	**$1,778,923,730**
Performance Incentive	$23,220,992	$25,953,651	$29,849,561	$79,024,204
Total Budget	**$573,169,627**	**$613,287,108**	**$671,491,199**	**$1,857,947,934**

[22] Statewide Plan, Exh. 1, App. C. (Rev.), Table IV.C.1 – Statewide Electric.

2. Offerings and Enhancements

a. Sector-Based Offerings and Enhancements

i. Residential Sector

In the residential sector, the Program Administrators propose to: (1) expand home energy assessments to include decarbonization opportunities; and (2) deliver a turnkey approach[26] to barrier mitigation and heat pump installations. In addition, the Program Administrators propose to implement enhanced offerings for key residential customer segments including moderate-income customers[27] and renters[28] (Statewide Plan, Exh. 1, at 89).

For home energy assessments, the Program Administrators propose to add information regarding decarbonization opportunities in addition to the current building envelope assessments and the identification of heating, ventilation, and air conditioning ("HVAC") and mechanical

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23 Sum of figures may not add to sector or annual totals due to rounding.

24 Statewide Plan, Exh. 1, App. C (Rev.), Table IV.C.1 – Statewide Gas.

25 Sum of figures may not add to sector or annual totals due to rounding.

26 A "turnkey" approach is a managed solution for customers who want to install heat pumps without having to select their own contractor (Statewide Plan, Exh. 1, at 7). Under this approach, customers will have the option to work with a single vendor provided through the programs to pursue weatherization, barrier mitigation, and electrification upgrades for their home. The vendor will manage each step of the process and the various subcontractors.

27 For the purpose of the Three-Year Plans, the Program Administrators define moderate-income customers as households with incomes greater than 60 percent the state median income and equal to or lesser than the greater of 80 percent of the state median income or area median income (Statewide Plan, Exh. 1, at 116, 125).

28 Proposed programs for historically underserved customer groups including moderate-income customers and renters are discussed in Section III.B.2.b, below.

system upgrade opportunities (Statewide Plan, Exh. 1, at 89, 115). Specifically, the Program Administrators propose to broaden home energy assessments to include the collection of additional data intended to provide customers with a comprehensive range of decarbonization options specific to their needs (Statewide Plan, Exh. 1, at 89). The Program Administrators also propose to offer virtual decarbonization consultations to answer customer questions related to heat pumps and to pre-approve heat pump projects for incentive eligibility prior to installation (Statewide Plan, Exh. 1, at 89).

For the Residential New Homes & Renovations program, the Program Administrators propose to implement a new all-electric offering to optimize energy-efficient building practices (Statewide Plan, Exh. 1, at 90). The Program Administrators state that this offering aims to reduce heating and cooling loads while providing customer education and workforce training (Statewide Plan, Exh. 1, at 90).

To facilitate customer uptake of decarbonization opportunities, the Program Administrators propose to offer comprehensive, managed services via the Residential Turnkey Solutions program (Statewide Plan, Exh. 1, at 90, 95). The Program Administrators propose to expand this program from its current focus on weatherization to include heat pumps and barrier remediation for weatherization and electrification (Statewide Plan, Exh. 1, at 106, 115). According to the Program Administrators, this revised model will offer a variety of resources designed to reduce barriers to customer participation (Statewide Plan, Exh. 1, at 90). The proposed turnkey services begin with a home energy assessment followed by instant incentives for measures such as faucet aerators and Wi-Fi thermostats (Statewide Plan, Exh. 1, at 90, 102, 211-212). Services also will include project facilitation for larger measures such as insulation

and heat pumps at set pricing, post-installation quality control inspections, and additional home improvement resources (Statewide Plan, Exh. 1, at 90; see, e.g., Exh. CLC-5). The Program Administrators propose to offer these services to moderate-income households and customers in designated equity communities in 2025, with a goal of expanding the offering to market-rate customers by 2027 (Statewide Plan, Exh. 1, at 106, 115-116).

The Program Administrators propose to modify the heat pump incentive structure for market-rate customers participating in the Residential Rebates program (Statewide Plan, Exh. 1, at 133). In particular, the Program Administrators propose to implement the following three-tier declining heat pump incentive structure: (1) a "base" heat pump rebate offering customer incentives to install heat pumps in unconditioned spaces or replace existing heat pumps or central air conditioning systems; (2) a "hybrid" heat pump rebate offering customer incentives for partial home heat pump installations, a $500 weatherization bonus, and a $500 full heating load bonus for customers who install heat pump systems sized to cover the home's heating load but without disconnecting their pre-existing heating system; and (3) "whole-home" heat pump rebate offering customer incentives to install a heat pump to cover 90 to 120 percent of a home's heating load (Statewide Plan, Exh. 1, at 133-134, 136, 310). To be eligible for the whole-home heat pump rebate, customers must demonstrate that their home is sufficiently weatherized and disconnect their pre-existing heating system (Statewide Plan, Exh. 1, at 134). The Program Administrators propose to establish a dollar-per-ton cap for the whole-home heat pump rebate incentive tier to prevent paying out disproportionately higher incentives for smaller whole-home heat pump systems (Statewide Plan, Exh. 1, at 134).

In addition, the Program Administrators propose to offer two tools to increase price transparency and reduce customer costs in the heat pump market (Statewide Plan, Exh. 1, at 135, 311). First, the Program Administrators propose to create a geographically based, public-facing heat pump pricing guide using anonymized data collected from program participants (Statewide Plan, Exh. 1, at 135). Second, the Program Administrators propose to offer a heat pump quote comparison service (Statewide Plan, Exh. 1, at 135).

In the Residential Rebates program, the Program Administrators propose to launch a heat pump water heater marketplace that will provide customer education, offer instant rebates, and facilitate different installation options (including installation services at a fixed cost when possible) (Statewide Plan, Exh. 1, at 135-136). In addition, the Program Administrators propose improvements to the existing heat pump installer network online lookup tool to help customers find contractors that meet their needs (Statewide Plan, Exh. 1, at 134-135).

The Program Administrators propose certain changes to HEAT Loans designed to minimize costs. First, the Program Administrators propose to change the repayment term from a fixed term of seven years to a variable term based on income tier[29] (Statewide Plan, Exh. 1, at 261; Tr. 2, at 266-267; Exh. AG-Comm 1-6).

[29] The Program Administrators propose the following income-based HEAT Loan repayment terms: (1) a seven-year term for households earning up to 135 percent of the state medium income; (2) a five-year term for households earning between 135 and 300 percent of the state medium income; and (3) a three-year term for households earning above 300 percent of the state medium income (Statewide Plan, Exh. 1, at 261).

The Program Administrators propose to: (1) promote alternative financing opportunities with the Massachusetts Community Climate Bank;[30] (2) negotiate interest rate reductions with lenders; and (3) establish a stakeholder working group to address HEAT Loan costs (Statewide Plan, Exh. 1, at 263, 311).

Finally, the Program Administrators propose to continue offering heat pump operations and maintenance ("O&M") services for air source heat pumps installed through the low-income program. In addition, the Program Administrators propose to expand these services to air source heat pumps for customers switching from natural gas (Statewide Plan, Exh. 1, at 162). The Program Administrators propose to make these annual cleaning and maintenance services available to customers for up to three years after installation (Tr. 2, at 328; Exh. DPU-Comm 21-13). The Program Administrators also intend to explore offering heat pump O&M services to moderate-income customers through the turnkey delivery model (Tr. 2, at 329-330).

ii. Income-Eligible Sector

The Program Administrators, in collaboration with LEAN, propose to implement several programs in the income-eligible sector designed to: (1) improve the customer experience; and (2) increase energy savings opportunities for customers living in single-family and multi-family

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30 The Massachusetts Community Climate Bank is a climate finance initiative that is supporting decarbonization strategies in the residential sector, https://www.masshousing.com/mass-community-climate-bank (last accessed February 26, 2025).

homes (Statewide Plan, Exh. 1, at 159-162).[31,32] In addition, the Program Administrators propose to prioritize electrification for low-income customers currently heating with delivered fuels or electric resistance where electrification does not increase the customer's energy burden (Statewide Plan, Exh. 1, at 11, 150, 153; Exhs. AG-Comm 1-17; DPU-Comm 8-5). In this regard, the Program Administrators propose to install more than 16,000 heat pumps and weatherize more than 42,000 homes through the low-income program over the Three-Year Plan term (Statewide Plan, Exh. 1, at 150).

In collaboration with LEAN, the Program Administrators propose to provide ongoing support for the statewide low-income client services center (Statewide Plan, Exh. 1, at 12, 151). They also propose to launch an income verification service to qualify for energy efficiency offers (Statewide Plan, Exh. 1, at 12, 161). In addition, the Program Administrators propose to work closely with the various Community Action Program ("CAP") agencies to: (1) prepare for the anticipated increase in low-income customer demand; and (2) contract with market-rate vendors to provide enhanced services within low-income programs[33] (Statewide Plan, Exh. 1, at 12, 152).

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31 The Program Administrators define low-income customers as: (1) customers earning up to 60 percent of the state median income and living in one- to four-family homes; and (2) customers earning up to 60 percent of area median income and living in multifamily buildings of five or more units (Statewide Plan, Exh. 1, at 11 n.10).

32 The Program Administrators use the terms "income-eligible" and "low-income" interchangeably (Statewide Plan, Exh. 1, at 11 n.10).

33 Proposed income-eligible sector program enhancements include: (1) comprehensive home energy assessments that address energy efficiency and decarbonization opportunities in a single visit; (2) funding for pre-weatherization barrier mitigation in larger multi-family buildings; and (3) replacement of single-pane windows with triple-pane windows (Statewide Plan, Exh. 1, at 159-162).

Finally, the Program Administrators propose to implement language access protocols to support participation by customers who prefer to be served in a language other than English ("LOTE") (Statewide Plan, Exh. 1, at 4, 159).

iii. Commercial and Industrial Sector

In the C&I sector, the Program Administrators propose to introduce several new measures to reduce GHG emissions. In addition, the Program Administrators propose to continue existing initiatives to electrify fossil fuel-based heating and water heating systems. Finally, the Program Administrators propose to refine certain aspects of existing C&I offerings (Statewide Plan, Exh. 1, at 164-165).

The Program Administrators propose several strategic enhancements for C&I sector programs, including: (1) promoting all-electric new buildings and grid-interactive efficient buildings; (2) prioritizing support for community-based organizations; (3) standardizing the technical review processes; (4) supporting decarbonization studies to drive large commercial building electrification; (5) improving trade ally support; (6) supporting the replacement of uncontrolled lighting fixtures; and (7) supporting energy efficiency and electrification improvements in schools in underserved communities (Statewide Plan, Exh. 1, at 181-184, 191-192, 196-207, 216-218, 227-230). Finally, for the Equipment Rebates & Instant Incentives program, the Program Administrators propose to: (1) provide incentives for a wider range of heat pumps; (2) employ customer satisfaction surveys for heat pump installations; (3) encourage participation of commercial installers in the heat pump installer network; and (4) broaden product training for existing vendors (Statewide Plan, Exh. 1, at 216-218).

b. Underserved Customer Groups

i. Introduction

The Program Administrators propose to make several changes to current residential, low-income, and C&I sector offerings that focus on historically underserved customer groups, including low- and moderate-income households,[34],[35] renters, LOTE customers, and small businesses (Statewide Plan, Exh. 1, at 30, 94). In particular, the Program Administrators propose to implement offerings designed to: (1) increase electrification and expand access to weatherization for low-income customers; (2) enhance accessibility for moderate-income customers; (3) offer no-cost weatherization, barrier remediation, and electrification to rental properties in designated equity communities; (4) enhance access for small businesses; (5) support energy efficiency and decarbonization improvements at schools in underserved communities;[36] (6) increase support for the Community First Partnership program; (7) support workforce and supplier diversity; (8) improve language access; (9) improve data collection and reporting practices to assess the effectiveness of programs for historically underserved customers; and (10) establish a new statewide contact center[37] (Statewide Plan, Exh. 1, at 28-36).

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[34] The Program Administrators define low-income households as those earning less than or equal to 60 percent of state median income. They define moderate-income households as those earning between 61 percent of state median income and the greater of 80 percent of state median income or 80 percent of area median income (Exh. DPU-Comm 21-2).

[35] Moderate-income customers are discussed in Section III.B.2.a.i, above.

[36] School decarbonization is addressed in Section III.B.2.f, below.

[37] The statewide contact center is addressed in Section XIII.F, below.

The proposed Three-Year plans include a significant new focus on moderate-income customers. For moderate-income customers, the Program Administrators propose to offer no-cost turnkey delivery of weatherization, pre-weatherization barrier remediation, and heat pump installations (Statewide Plan, Exh. 1, at 117-118). In addition, the Program Administrators propose to streamline qualification for moderate-income offerings including: (1) income qualification through self-attestation; and (2) multi-family building pre-qualification (Statewide Plan, Exh. 1, at 116-117 & n.114). Additionally, the Program Administrators intend to support LOTE customers' access to, understanding of, and participation in energy efficiency offerings via implementation of various language access measures (Statewide Plan, Exh. 1, at 123). These language access measures include the translation of documents, multilingual statewide contact center support services, and interpretation services for in-person visits (Statewide Plan, Exh. 1, at 123).

ii. Equity Commitment

The Program Administrators propose offerings in the residential, low-income, and C&I sectors to better serve low- and moderate-income customers, renters, LOTE customers, and small businesses (Statewide Plan, Exh. 1, at 2-3, 11, 28, 37). Across these sectors, the Program Administrators plan to spend $1.9 billion on these initiatives, which includes: (1) $1.3 billion for low- and moderate-income customers; (2) $616 million for renters;[38] (3) $96 million for small business turnkey programs; (4) $24 million for community engagement; (5) $24 million for

[38] The Program Administrators provide renter incentives to low-income, moderate-income, and non-income qualified households. Therefore, there is overlap between the low- and moderate-income investments and the renter investments identified above (Statewide Plan, Exh. 1, at 37).

language access; (6) $88 million for workforce development;[39] and (7) $244 million for program support including low-income and small business turnkey support (Statewide Plan, Exh. 1, at 37).

iii. Designated Equity Communities

The Program Administrators propose several new or enhanced offerings that initially will be deployed in 21 designated equity communities.[40] The Program Administrators selected the designated equity communities using the following criteria developed through extended dialogue with DOER, the Council, the equity working group[41]: (1) greater than 35 percent of the community's population are renters; (2) more than 8,000 renters reside in the community; and (3) more than 50 percent of the community's population are low- or moderate-income (Statewide Plan, Exh. 1, at 12-13, 118). No communities in the Compact's service area qualified as designated equity communities using these criteria and, therefore, the Compact used the following modified criteria: (1) greater than 28 percent of the community's population are

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39 Workforce diversity is discussed in Section XIII.B, below.

40 The designated equity communities selected using these criteria are Boston, Brockton, Chelsea, Everett, Fall River, Framingham, Fitchburg, Lawrence, Lowell, Lynn, Malden, New Bedford, Pittsfield, Quincy, Revere, Salem, Springfield, Woburn, and Worcester (Statewide Plan, Exh. 1, at 33). The Compact selected two additional communities based on modified criteria: Oak Bluffs and Tisbury (Exh. DPU-Comm 19-2 (Rev.)).

41 The equity working group was established by the Council and includes members that were not appointed by the Department pursuant to G.L. c. 25, § 22. The purpose of the equity working group is to discuss how programs can more equitably serve residents and businesses. The equity working group includes representatives from DOER, the Attorney General, individual Council members, the Program Administrators, and other interested stakeholders (Statewide Plan, Exh. 1, at 45).

renters; and (2) more than 40 percent of the community's population are low- or moderate-income (Exh. DPU-Comm 19-2 (Rev.)).

iv. Renters

For rental properties in designated equity communities, the Program Administrators propose to provide no-cost: (1) weatherization; (2) barrier remediation; and (3) electrification measures (i.e., heat pumps and heat pump water heaters) where these measures will not increase a renter's energy burden (Statewide Plan, Exh. 1, at 12-13, 118). The Program Administrators further propose to automatically qualify all properties with more than 50 percent rental units in designated equity communities for moderate-income turnkey offers, including no-cost barrier remediation, heat pumps and, in some cases, heat pump water heaters[42] (Statewide Plan, Exh. 1, at 118-120). These moderate-income turnkey offers will entail end-to-end facilitated decarbonization services specific to each building's needs (Statewide Plan, Exh. 1, at 119-120). The Program Administrators propose that as a condition of participation in this offering, landlords must agree in writing to restrictions on tenant evictions and rent increases for a period following the receipt of program incentives (Statewide Plan, Exh. 1, at 30, 118; Exh. AG-Comm 1-20).[43] The Program Administrators propose to deploy this offer turk in

[42] Where necessary to control costs, Unitil (electric), Unitil (gas), Berkshire, and Liberty propose to limit eligibility for the moderate-income turnkey and the 100 percent weatherization offers to certain environmental justice census blocks within designated equity communities (Statewide Plan, Exh. 1, at 29). These Program Administrators must report any instances where they exercise such limitations as part of their quarterly implementation reports to the Council pursuant to G.L. c. 25, § 22(d).

[43] The Program Administrators indicate that this agreement will be similar to the agreement currently used for this purpose in the low-income program (Statewide Plan, Exh. 1, at 94); see RR-DPU-4 (sample low-income landlord agreement)).

designated equity communities via the Residential Turnkey Solutions Single-Family Pathway for buildings with one to four units and via the Multifamily Pathway for buildings with five or more units (Statewide Plan, Exh. 1, at 119).

For rental properties outside of designated equity communities, the Program Administrators propose to continue to provide landlords with no-cost weatherization and enhanced incentives to mitigate pre-weatherization barriers (Statewide Plan, Exh. 1, at 13, 124). In addition, where a property has at least 50 percent low-income rental units, the Program Administrators propose to provide no-cost energy efficiency services to tenants and landlord-occupants, including weatherization, HVAC, and appliance upgrades (Statewide Plan, Exh. 1, at 119-120, 158). The Program Administrators also propose to offer the owners of properties with 50 percent or more low-income rental units the opportunity to pursue decarbonization projects that integrate a range of high-performance building technologies, including: (1) structurally insulated exterior cladding; (2) continuous insulation or targeted exterior air sealing; (3) ventilation with energy recovery ventilators; (4) variable refrigerant flow systems; (5) heat recovery ventilators; and (6) heating system conversions from delivered fuels or natural gas to heat pumps (Statewide Plan, Exh. 1, at 156). The Program Administrators propose that as a condition of this offer, heat pumps will be installed only where landlords agree in writing to restrictions on tenant evictions and rent increases for a period following installation (Statewide Plan, Exh. 1, at 94).

Finally, the Program Administrators propose to initiate several strategies to make energy savings projects more attractive and accessible to business tenants and building owners (Statewide Plan, Exh. 1, at 13). In particular, the Program Administrators propose to implement

a "targeted engagement strategy" designed to encourage the participation of more leased buildings and streamline the participation process (Statewide Plan, Exh. 1, at 13). In addition, the Program Administrators propose to provide renters with access to resources on a new "Mass Save Renters" webpage, including tools to approach their landlords about available upgrades and incentives (Statewide Plan, Exh. 1, at 13).

c. Greenhouse Gas-Centered Measures

i. Behind-the-Meter Gas Leak Mitigation

Certain gas Program Administrators, specifically EGMA, NSTAR Gas, and National Grid (gas), plan to offer a behind-the-meter gas leak mitigation measure to support the identification and repair of gas leaks on the customer side of the meter (Statewide Plan, Exh. 1, at 192; Exhs. EGMA-5 (Rev.); NG-Gas-5 (Rev.); NSTAR-Gas-5 (Rev.)). The proposed measure will be available to customers that have large gas distribution systems on their property in circumstances where the leak identification and repair goes beyond the customer's routine maintenance (Statewide Plan, Exh. 1, at 192). For this offer, the gas Program Administrators propose to pay incentives per estimated leaked therm, capped at the cost to repair leaks (Statewide Plan, Exh. 1, at 192).

ii. Refrigerant Measures

National Grid (electric) and NSTAR Electric[44] plan to implement two new refrigerant measures through the C&I Existing Building custom offering: (1) a leak detection survey and

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[44] In response to discovery, the gas Program Administrators clarified that they do not intend to offer this measure (Exh. DPU-Comm 11-1). Unitil (electric) and the Compact explained that they did not plan for these measures in their respective BCR models (Exh. DPU-Common 11-6; see Tr. 2, at 293-294; Exhs. CLC-5; FGE-Electric-5).

repair measure designed to reduce leak rates for grocery stores using high-global warming potential refrigerants; and (2) a refrigerant retrofit measure designed to help grocery stores replace high-global warming potential refrigerants with compatible, low-global warming potential alternatives (Statewide Plan, Exh. 1, at 192-193; Tr. 2, at 304).[45]

The electric Program Administrators propose to provide incentives in each offering equal to half of project costs (i.e., approximately $465,000 per project) for a total of 20 projects per year (Exhs. FGE-Electric-2, at 107; NG-Electric-2, at 108; NSTAR-Electric-2, at 105). The electric Program Administrators relied on research completed by National Grid (electric) to estimate project costs[46] (see, e.g., Exhs. FGE-Electric-2, at 107; NG-Electric-2, at 108; NSTAR-Electric-2, at 105).

iii. Carbon Capture and Sequestration

The Program Administrators propose to implement a new carbon capture[47] and sequestration measure to provide custom-based incentives for existing combined heat and power

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[45] The electric Program Administrators state that grocery stores use large quantities of refrigerants in equipment that is often prone to refrigerant leaks (Tr. 2, at 300-301; Statewide Plan, Exh. 1, at 192-193). Further, the electric Program Administrators indicate that due to the expense and difficulty of replacing refrigeration equipment, grocery stores often use high-global warming potential refrigerants until the end of the refrigeration equipment's useful life (Tr. 2, at 298-299, 307).

[46] National Grid (electric) offered this research to support a proposed refrigerant management demonstration project. See Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-54.

[47] The Program Administrators define "carbon capture" as technologies that capture carbon dioxide directly from the exhaust stream of fossil fuel-burning equipment; the carbon dioxide is then liquefied, transported, and repurposed for use in an existing industrial process (e.g., concrete or beverage manufacturing) (Statewide Plan, Exh. 1, at 192).

and fuel cell end users (Statewide Plan, Exh. 1, at 168, 191-192; Tr. 1, at 96-97). The Program Administrators indicate that they are in the early design phase for this measure (Tr. 1, at 97-98). Because they have limited installation experience with the new carbon capture and sequestration technologies, the Program Administrators indicate that they are not certain whether any projects started in this Three-Year Plan term would be completed before the end of the term (Tr. 1, at 98).

iv. Embodied Carbon

The electric Program Administrators propose a suite of embodied carbon[48] offers for new construction and major renovation projects within the Residential Single-Family, Residential Multi-Family, and C&I sectors (Statewide Plan, Exh. 1, at 9, 102-105, 181-183). In the Residential New Homes and Renovations Program, the electric Program Administrators propose to offer three incentive tiers for embodied carbon reductions in single family homes. The incentives are based on the percentage of embodied carbon reduced as compared to an established baseline (Statewide Plan, Exh. 1, at 103; Exhs. DPU-Comm 2-3; DPU-Comm 24-11; DPU-Comm 24-12).

For multi-family homes and C&I projects, the electric Program Administrators propose a materials-based approach to embodied carbon reduction that is designed to provide an incentive for customers to select construction materials with a lower global warming potential within the highest-impact material categories (i.e., concrete, steel, flat glass, insulation, and gypsum board) (Statewide Plan, Exh. 1, at 102, 104-105, 182-183). The electric Program Administrators

48 The Program Administrators define "embodied carbon" as GHG emissions released during the upstream stages of a product's life cycle, including extraction, production, transportation, and manufacturing (Statewide Plan, Exh. 1, at 102, 181).

propose to use industry norms to create suitable material baselines and offer a static, uncapped incentive of $0.06 per kilogram of CO_2e reductions resulting from use of lower global warming-potential materials as well as a $2,000 incentive to cover design and other costs (Statewide Plan, Exh. 1, at 105, 183, 186; Exhs. DPU-Comm 2-3; DPU-Comm 24-13).

Finally, the electric Program Administrators propose to offer two additional methods to reduce embodied carbon: whole-building; and material reuse (Statewide Plan, Exh. 1, at 183). Specifically, the electric Program Administrators propose to provide an incentive adder of up to $10,000 for multi-family new building, C&I new building, and major renovations projects undertaking a whole-building[49] life-cycle analysis and/or a building reuse feasibility study (Statewide Plan, Exh. 1, at 182-183, 186; Exhs. DPU-Comm 2-3; DPU-Comm 24-14).

d. National Grid (electric) Behavioral Measure

National Grid (electric) proposes to implement a new behavioral demand response offering for residential customers who have connected their electric meter to its advanced metering infrastructure ("AMI")[50,51] (Statewide Plan, Exh. 1, at 322; Exh. NG-Electric-2, at 88). National Grid (electric) states that the proposed offering is designed to encourage customers to

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49 A life-cycle analysis is a process for estimating embodied carbon emissions. The electric Program Administrators acknowledge that whole-building life cycle analyses do not have an established method for determining baselines and, therefore, they will not claim any savings or benefits from these measures (State Plan, Exh. 1, at 183; Exh. DPU-Comm 24-15).

50 See https://www.mass.gov/info-details/grid-modernization-and-ami-resources (last accessed February 26, 2025).

51 National Grid (electric) intends to implement this offering in 2026 following its scaled deployment of AMI (Statewide Plan, Exh. 1, at 322; Exh. DPU-NG-Electric 1-3).

reduce their energy consumption during periods of peak system demand through the receipt of high-usage alerts (Statewide Plan, Exh. 1, at 322; Exh. DPU-NG-Electric 1-1).[52]

National Grid (electric) proposes to automatically enroll eligible customers in this offering with the option to opt out at any time (Statewide Plan, Exh. 1, at 321-322; Exh. DPU-NG-Electric 1-1). Finally, National Grid (electric) plans to measure savings and track customers who opt out (Statewide Plan, Exh. 1, at 321-322; Exh. DPU-NG-Electric 1-1).

e. Eversource-Specific Offerings

NSTAR Electric, EGMA, and NSTAR Gas (together, "Eversource") propose three Program Administrator-specific offerings: (1) Residential and School Education; (2) Steam Electrification; and (3) Localized Decarbonization Approaches (Statewide Plan, Exh. 1, App. K at 319-321, 323-324). First, Eversource proposes to continue offering student and educator programming for grades K-12 through its Residential and School Education program (Statewide Plan, App. K at 319). Eversource proposes a total budget of $1.5 million for the Residential and School Education offering, including approximately $1.1 million for NSTAR Electric, $212,000 for EGMA, and $182,000 for NSTAR Gas (Exh. DPU-Eversource 1-1).

Second, NSTAR Electric proposes to provide electrification incentives for customers currently taking service from district steam loops in Boston through its Steam Electrification offering (Statewide Plan, Exh. 1, App. K at 323). NSTAR Electric proposes to support

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[52] Unitil (electric) and National Grid (electric) both offer behavioral demand response programs that provide monthly reports to residential customers on their energy usage (Statewide Plan, Exh. 1, at 322). National Grid (electric) proposes to send high-usage alerts to its AMI customers as an additional feature to its behavioral demand response program (Statewide Plan, Exh. 1, at 322; Exh. DPU-NG-Electric 1-1).

decarbonization efforts at these customer sites including, but not limited to, the installation of heat pumps (Statewide Plan, Exh. 1, App. K at 323). NSTAR Electric expects that any projects under this offering will be funded through its planned C&I custom electrification budget (Exh. DPU-Eversource 1-4(2)).

Third, Eversource proposes to offer Localized Decarbonization Approaches to support decarbonization measures in geographic areas impacted by electric or gas infrastructure upgrades, including projects described in NSTAR Electric's Electric Sector Modernization Plan ("ESMP") and targeted electrification pilots undertaken by NSTAR Gas and EGMA pursuant to Investigation into Role of Gas Local Distribution Companies as Commonwealth Achieves Target 2050 Climate Goals, D.P.U. 20-80-B (2023) (Statewide Plan, App. K at 323-324; Exh. DPU-Eversource 1-4(1)). Eversource proposes that such support may include: (1) providing turnkey delivery of certain decarbonization measures; (2) providing technical assistance to a community as it electrifies buildings, installs electric vehicle charging equipment, or applies for incentives for a community renewable energy systems; or (3) funding for municipal government staff positions, as discussed in Section III.B.f, below (Statewide Plan, Exh. 1, App. K at 323-324; Exh. DPU-Eversource 1-4(1); Tr. 1, at 105-106). Eversource proposes a total budget of $3 million for Localized Decarbonization approaches, which includes $1.8 million for NSTAR Electric, $600,000 for EGMA, and $600,000 for NSTAR Gas (Exh. DPU-Eversource-1-3).

f. Municipal Energy Manager Grants

The Program Administrators propose to support energy efficiency and decarbonization improvements at schools in environmental justice populations through two offers that would

fund a municipal energy manager position (Statewide Plan, Exh. 1, at 31). First, the Program Administrators propose to fully decarbonize five schools selected by DOER to act as models (Statewide Plan, Exh. 1, at 31). For the five schools, this offer would include approximately $47 million in funding across multiple three-year plan terms for municipal energy manager positions, technical assistance, engineering design assistance, and implementation of energy efficiency and electrification measures (Statewide Plan, Exh. 1, at 31, 205-206).

Second, Eversource and National Grid[53] propose to offer participating K-12 school districts that want to pursue decarbonization an opportunity to receive a competitive grant[54] to create a full-time municipal energy manager position where such position does not currently exist (Statewide Plan, Exh. 1, at 31; Tr. 1, at 107-108). Finally, Eversource[55] states that it may consider opening additional rounds of the competitive grant for communities affected by electric or gas infrastructure upgrades, as part of its proposed Localized Decarbonization Approaches program (Exh. DPU-Eversource 1-4(1)).

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53 During evidentiary hearings, the Program Administrators clarified that only Eversource and National Grid entities would offer the grant program (Statewide Plan, Exh. 1, at 31, compare Tr. 1, at 107-108).

54 The Program Administrators released the grant application in September 2024, subject to Department approval of the offer in the instant proceedings (Statewide Plan, Exh. 1, at 31).

55 EGMA, NSTAR Gas, and NSTAR Electric propose to use their localized decarbonization budgets to provide additional municipal energy manager grants (Exh. DPU-Eversource 1-4(1)).

3. Evaluation, Measurement, and Verification

The Program Administrators propose to continue the current evaluation framework to support third-party EM&V efforts (Statewide Plan, Exh. 1, at 264). In particular, the Program Administrators propose to focus their EM&V activities on the following four research areas: (1) residential energy efficiency; (2) C&I energy efficiency; (3) active demand management (both electric and gas demand in the residential, low-income, and C&I sectors); and (4) special and cross-cutting[56] (Statewide Plan, Exh. 1, at 266). The Program Administrators propose to conduct the following types of EM&V studies: (1) impact evaluations; (2) net-to-gross studies; (3) baseline studies; (4) measure life studies; (5) non-energy impact studies; (6) cost studies; (7) market effects evaluations; (8) market characterization studies; and (9) process evaluations (Statewide Plan, Exh. 1, at 267-268). The Program Administrators propose $47 million for EM&V studies during the Three-Year Plan term (Statewide Plan, Exh. 1, at 268 & App. C (Rev.) – Statewide, Table IV.C).

The Program Administrators state that together with the evaluation management committee,[57] they have developed a strategic evaluation plan to guide their evaluation activities during the Three-Year Plan term (Statewide Plan, Exh. 1, at 270-271, App. S). The strategic evaluation plan identifies two EM&V priorities for the term: (1) market transformation; and

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[56] The special and cross-cutting research area includes topics covering more than one research area, such as codes and standards, education and training, and marketing (Statewide Plan, Exh. 1, at 266-267).

[57] The evaluation management committee serves as a steering committee for statewide evaluation issues, providing guidance and direction to each of the evaluation research areas, and assisting in setting research priorities (Statewide Plan, Exh. 1, at 266).

(2) equity (Statewide Plan, Exh. 1, App. S at 16-19). With respect to market transformation, the Program Administrators propose to track, measure, and evaluate: (1) interim and long-term indicators of market penetration; and (2) structural changes, program attribution, and cumulative energy impacts over a longer-range timeframe (Statewide Plan, Exh. 1, at 267-268). Regarding equity, the Program Administrators propose to evaluate programs and initiatives that have the primary objective of increasing equitable outcomes, including the Community First Partnerships, workforce development, and language access plan (Statewide Plan, Exh. 1, App. S at 17).

4. Potential Studies

The Department requires the Program Administrators to include a service area-specific assessment of potential available energy efficiency and demand reduction resources that are cost effective when filing their Three-Year Plans.[58] Guidelines § 3.4.7.1. Further, the Program Administrators must: (1) use common definitions for the various levels of achievable potential, such that the study results are comparable; (2) establish a common study deadline with input from the Council; and (3) include detailed testimony and exhibits to address how the findings of its potential study were used to inform the development of its savings goal during the planning process. Guidelines §§ 3.4.7.1.1; 3.4.7.1.2.

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58 Potential studies provide the Program Administrators with insight into three types of energy efficiency potential: (1) technical potential, which is the complete adoption of energy efficiency and decarbonization measures that are technologically feasible without consideration of cost or consumer acceptance; (2) economic potential, which is a subset of technical potential consisting only of that technology that results in more estimated benefits than costs over the measure's life; and (3) achievable potential, which is a subset of economic potential and limited to that which is attainable given customer barriers, market barriers, or other limitations (Statewide Plan, Exh. 1, at 56; App. N).

The Department further directed the Program Administrators to implement GHG emissions reduction analyses in future potential studies, and specifically consider service area-specific, top-down GHG emissions reduction potential in setting their individual 2025-2027 Three-Year Plan goals. 2022-2024 Three Year Plans Order, at 139. The Program Administrators propose a total potential studies budget of $1,535,424, for the Three-Year Plan term (Exh. AG-Comm 1-3).

C. Positions of the Parties

1. Program Administrators

The Program Administrators argue that consistent with G.L. c. 25, § 21(b)(1), the proposed Three-Year Plans: (1) include savings goals that are designed to achieve all available cost-effective energy efficiency; and (2) are designed to attain the GHG emissions reduction targets set by the EEA Secretary (Program Administrators Brief at 17). Further, the Program Administrators assert that the proposed programs comply with all statutory obligations under the Green Communities Act (Program Administrators Brief at 17, 20).

The Program Administrators argue that the Department should not adopt CLF's proposal to increase the heat pump target for low- and moderate-income customers (Program Administrators Reply Brief at 10). The Program Administrators maintain that their proposed heat pump target is ambitious but realistically designed to meet GHG emissions reduction goals in an equitable manner. Further, the Program Administrators argue that the heat pump goal was developed by consensus and represents a careful balance of competing priorities including cost and bill impact considerations. Finally, the Program Administrators maintain that the proposed heat pump target appropriately considers current workforce capacity to electrify homes (Program

Administrators Reply Brief at 10-13). Such concerns notwithstanding, the Program Administrators assert that they will "do everything in their power" to exceed heat pump targets during the Three-Year Plan term (Program Administrators Reply Brief at 13).[59]

The Program Administrators dispute the Attorney General's assertion that an excessive proportion of low-income projects are currently subject to Quality Assurance/Quality Control ("QA/QC") inspections (Program Administrators Reply Brief at 7-8, citing Attorney General Brief at 15). In particular, the Program Administrators clarify that all low-income projects do not receive two inspections as the Attorney General claims (Program Administrators Reply Brief at 7). The Program Administrators maintain that the QA/QC process as proposed in the Three-Year Plans is necessary to: (1) ensure the quality of work meets all program standards; (2) maintain customer satisfaction and identify where customers need additional support; and (3) ensure savings are achieved (Program Administrators Brief at 96; Program Administrators Reply Brief at 7-8, citing Exh. DOER-Comm 1-4, at 6).

In addition, the Program Administrators argue that the Attorney General's proposal to set heat pump incentives at the planned 2027 level for the entire Three-Year Plan term is internally inconsistent, has no support, and could potentially increase costs if the incentives later need to be raised to make up for a drop in demand (Program Administrators Reply Brief at 4). In addition,

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[59] The Program Administrators note that with DOER's assistance, they have secured Home Electrification Appliance Rebates ("HEAR") funding that should help them complete additional low- and moderate-income electrification activities outside of the Three-Year Plans (Program Administrators Brief at 59-60; Program Administrators Reply Brief at 13 n.12, citing Tr. 2 at 282-283; Statewide Plan, Exh. 1, at 80-83; Exh. DPU-Comm 22-2). The Program Administrators maintain, however, that such funds are not sufficient to meet CLF's proposed heat pump target (Program Administrators Brief at 59-60; Program Administrators Reply Brief at 13 n.12, citing Exhs. 2, at C.1; DPU-Comm 22-2).

the Program Administrators assert that the Attorney General's approach of lowering incentives in the beginning of the term could potentially decrease production that would interfere with meeting the GHG emissions reductions goals (Program Administrators Reply Brief at 4). The Program Administrators, instead, ask the Department to approve their declining heat pump incentive proposal because it aligns with aggressive savings targets, has the Council's support, and is consistent with Department precedent supporting higher incentive levels at the earlier phases of nascent markets (Program Administrators Reply Brief at 4-5, citing 2022-2024 Three-Year Plans Order, at 130; 2019-2021 Three-Year Plans Order, at 35). The Program Administrators agree that there is value to studying the impact on heat pump incentives and installation costs on participants' decisions to adopt heat pumps, as well as customer price sensitivity to different incentive levels (Program Administrators Reply Brief at 4).

The Program Administrators oppose the Attorney General's recommendation to require cooperative purchasing of heat pumps with negotiated discounts (Program Administrators Reply Brief at 5, citing Attorney General Brief at 10). The Program Administrators argue that the Attorney General's proposal is based on a misunderstanding of the heat pump open market design, which encourages competition to drive lower prices (Program Administrators Reply Brief at 5). The Program Administrators maintain that requiring cooperative purchasing in the manner suggested by the Attorney General could undermine the development of a competitive heat pump market (Program Administrators Reply Brief at 5).

The Program Administrators maintain that HEAT Loan incentives are critical to the adoption of heat pumps and oppose the Attorney General's proposal to consolidate the HEAT Loan offerings from three tiers to two (Program Administrators Reply Brief at 5-6, citing

Attorney General Brief at 13-14). The Program Administrators argue that they have already proposed to adopt significantly lower HEAT Loan incentives for the current Three-Year Plan term and have agreed to study how these incentive levels affect heat pump installations (Program Administrators Reply Brief at 6, citing Exh. 2, at B.6; Tr. 2, at 265-269). Finally, the Program Administrators argue that the Department should continue to grant material weight to the Program Administrators' exercise of "informed judgment" with respect to program implementation matters such as incentive design (Program Administrators Reply Brief at 6, citing Three-Year Plans Order, at 130).

In response to the objections of CLF and Green Energy to the proposed carbon capture and sequestration measure, the Program Administrators argue that consistent with the 2021 Climate Act, this measure is primarily designed to reduce GHG emissions and is cost-effective (Program Administrators Reply Brief at 22-23, citing G.L. c. 25, § 21(b)(2)). The Program Administrators further maintain that approval of this offering for the Three-Year Plan term will allow them to gain valuable experience and adjust the measure in subsequent plans, if necessary (Program Administrators Reply Brief at 23). Accordingly, the Program Administrators urge the Department to approve the proposed carbon capture and sequestration measure as part of the C&I portion of the Three-Year Plan (Program Administrators Reply Brief at 23).

For these same reasons, the Program Administrators also disagree with Green Energy's objection to the other proposed new measures designed to reduce GHG emissions in the Three-Year Plans. The Program Administrators urge the Department to approve the Refrigerant Emissions Mitigation, Embodied Carbon Reduction, and Behind-the-Meter Gas Leak

Remediation measures as proposed (Program Administrators Reply Brief at 23 n.23, citing Green Energy Brief at 13; Exh. 1, at 168). Without such measures, the Program Administrators argue that they will be limited in their ability to achieve the required GHG emissions reductions (Program Administrators Reply Brief at 24).

The Program Administrators maintain that the Compact would not have any designated equity communities under the selection criteria used by the other Program Administrators because the population count in most municipalities in the Compact's service area was not high enough to satisfy the renter-specific requirement (Program Administrators Brief at 115). Therefore, Program Administrators assert that it was appropriate for the Compact to apply modified criteria to identify its designated equity communities in its service area (Program Administrators Brief at 115). In addition, the Compact argues that the Department should approve these modified selection criteria so that it can participate in the statewide effort to increase weatherization of rental units in low- and moderate-income dwellings (Program Administrators Brief at 115).

The Program Administrators maintain that a significant focus of their planning for the Three-Year Plan term included efforts to improve the customer experiences of residential tenants and landlords, small business tenants and property owners, customers living in mixed-income multifamily buildings, and customers in designated equity communities with a high share of low- and moderate-income customers and renters (Program Administrators Brief at 14, citing Exh. 1, at 55). As a result, the Program Administrators argue that the 2025-2027 Three-Year Plans are designed to more comprehensively serve renters and rental properties in designated equity communities by providing simplified qualification for no-cost weatherization and barrier

remediation measures, as well as no-cost electrification measures if they will not increase renters' energy burdens (Program Administrators Brief at 23, 115, citing Exh. CLC-1 at 118). Outside of designated equity communities, the Program Administrators state that they will continue to provide rental units with no-cost weatherization and enhanced incentives to mitigate pre-weatherization barriers (Program Administrators Brief at 24, citing Statewide Plan, Exh. 1, at 13). The Program Administrators further argue that the Three-Year Plans incorporate several new pathways designed to make it easier for small business renters and landlords to work together on energy-saving projects (Program Administrators Brief at 25, citing Statewide Plan, Exh. 1, at 13).

The Program Administrators note that the equity component of the proposed performance incentive mechanism requires the Program Administrators to meet planned benefits from measures delivered to renters to earn more than 100 percent of the design-level performance incentive for that component (Program Administrators Brief at 74)[60]. In addition, the Program Administrators maintain that in the cost-benefit model, they intend to allocate equity benefits, including all benefits related to renters, in a separate column to facilitate benefit tracking for the Department and stakeholders (Program Administrators Brief at 74).

Finally, the Program Administrators argue that their proposal to work with local governments is the most cost-effective and cost-efficient approach to the enforcement of the landlord agreements associated with electrification of rental units (Program Administrators

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60 The Department addresses the Program Administrators' proposed performance incentive mechanism in Section VII, below.

Reply Brief at 17-18, citing Tr. 2, at 241-245; Exh. DPU-Comm 2-5). The Program Administrators assert that it would not be appropriate for the Department to direct changes to this approach, as requested by CLF, without any evidence that the changes would be feasible or beneficial (Program Administrators Reply Brief at 17-18, citing CLF Brief at 21-24).

In response to CLF's suggestion that the eligibility criteria for moderate-income offerings should be expanded, the Program Administrators argue that this approach was specifically rejected by the Council in favor of focusing the limited budget resources on no-cost offers for lower income customers who need them most (Program Administrators Reply Brief at 16, citing CLF Brief at 20). The Program Administrators urge the Department to approve their proposed energy efficiency and decarbonization improvements at schools (Program Administrator Brief at 25).

Finally, the Program Administrators object to the Attorney General's suggestion that the Council approve the scope of all future potential studies (Program Administrators Reply Brief at 8, citing Attorney General Brief at 27). Although the Program Administrators are willing to discuss the appropriate scope of potential studies with the Council consistent with its advisory role, they argue that requiring Council approval of the scope of work of such studies would inappropriately infringe on the Program Administrators' ability to contract with study vendors (Program Administrators Reply Brief at 8, citing G.L. c. 25, § 22(a)).

2. Attorney General

The Attorney General supports the energy savings goals, GHG emissions reductions, program descriptions, budgets, and performance incentives in the proposed Three-Year Plans (Attorney General Brief at 4). The Attorney General, however, argues that the proposed

$5 billion budget warrants increased protections for ratepayers (Attorney General Brief at 4). The Attorney General recommends that the Department approve the Three-Year Plans but direct the Program Administrators to implement several cost-control measures, including flat heat pump incentives, the study and analysis of bulk purchasing of heat pumps, the re-alignment of HEAT loan income tiers, and the reduction of excessive QA/QC rates in the low-income sector (Attorney General Brief at 4, 7, 10, 15).

First, the Attorney General recommends that the Department require the Program Administrators to change the design of market rate heat pump incentives such that they start at a lower level and remain constant over the term (Attorney General Brief at 7).[61] The Attorney General argues that lowering the incentive level over the term, as proposed by the Program Administrators, will likely negatively impact market behavior (Attorney General Brief at 7). The Attorney General asserts that her alternative proposal to establish a consistent market heat pump incentive at the planned 2027 level for the entire three-year term will promote market certainty and save approximately $95 million in ratepayer-funded incentive costs (Attorney General Brief at 7-8).

The Attorney General disputes the Program Administrators' argument that her proposal is "internally inconsistent and would risk underproduction of heat pump deployment" (Attorney General Reply Brief at 7, citing Program Administrators Brief at 97). The Attorney General maintains that she has offered sufficient evidence that the Program Administrators can achieve

[61] The Program Administrators propose to set the 2025 market rate heat pump incentive at the same level as the prior Three-Year Plan term, with the incentive level subsequently declining in 2026 and again in 2027 (Exh. DPU-Comm 3-5).

the projected participation rates at the lower incentive levels (Attorney General Reply Brief at 7, citing Exh. AG-LN-1, at 33). Further, to the extent the Program Administrators allege her proposal is flawed because it risks market "upheaval," the Attorney General argues that the Program Administrators' proposal carries a similar risk except that it would occur mid-term when there is limited time for the Program Administrators to respond, rather than at the start of the term (as she proposes) when there would be ample time to implement various market transformation measures to limit any negative effects (Attorney General Brief at 7-8, citing Tr. 1, at 172; Exhs. AG-LN-1, at 29-31, 33-34; AG-Comm 1-9; Program Administrators Brief at 97-98).

Additionally, the Attorney General argues that the Department should direct the Program Administrators to study the effect of heat pump incentives to determine whether fundamental changes to the incentive structure (or, more broadly, to the electrification program) are necessary (Attorney General Brief at 7-10).[62] The Attorney General cautions that without such studies, it cannot be known if contractors are inflating the cost of heat pump installations by the value of heat pump incentives, thereby leaving customers paying the same amount they would have paid without the incentives (Attorney General Brief at 10).

The Attorney General also argues that the Department should direct the Program Administrators to explore cooperative purchasing of heat pump equipment in the low-income program and cooperative installation services in the market-rate programs (Attorney General

[62] The Attorney General notes that the Program Administrators have not conducted or consulted any studies on the sensitivity of incentives to program changes and how they may affect installation costs for customers (Attorney General Brief at 9-10).

Brief at 10-12). The Attorney General maintains that such arrangements could save ratepayers approximately $100 million over the Three-Year Plan term (Attorney General Brief at 10). The Attorney General asserts that her recommended approach would support market transformation efforts and the growth of the building decarbonization workforce (Attorney General Brief at 12).

The Attorney General argues that the Department should direct the Program Administrators to simplify HEAT Loan income tiers with modified qualification thresholds (Attorney General Brief at 13). Although the Attorney General supports setting the maximum HEAT Loan term based on income, she argues that the Program Administrators' proposed income thresholds are too high, allowing many higher-earning individuals to qualify for long-term zero-interest loans (Attorney General Brief at 14). To address this issue, the Attorney General proposes to consolidate the HEAT Loan offering into two tiers, with applicants below 135 percent of state median income receiving interest-free financing for five years and applicants at or above that threshold receiving zero percent loans for three years (Attorney General Brief at 14). The Attorney General argues that her alternative proposal is consistent with the income qualification threshold for financing through the Massachusetts Community Climate Bank and would reduce HEAT Loan costs by $55.7 million (Attorney General Brief at 14).

The Attorney General argues that an "excessive" number of low-income projects are currently subject to QA/QC inspections (Attorney General Brief at 15). The Attorney General maintains that the Department should direct the Program Administrators to reduce the percentage of low-income projects subject to a full post installation inspection from the current 100 percent to 25 percent (Attorney General Brief at 16). The Attorney General further argues that the Program Administrators should be directed to identify U.S. Department of Energy

("DOE")-funded projects that require a post-installation inspection so that a duplicative second inspection is not performed (Attorney General Brief at 16). The Attorney General argues that implementation of this recommendation could save approximately $28 million in administrative costs over the Three-Year Plan term (Attorney General Brief at 16).

In response to the Program Administrators' and LEAN's arguments in support of maintaining the status quo for inspections, the Attorney General argues that while inspecting every project may be "ideal in a vacuum," such inspections are costly, time consuming, and no longer feasible given the significant growth in the number of projects to be installed during the Three-Year Plan term (Attorney General Reply Brief at 10-12, citing LEAN Brief at 8-9; Program Administrators Brief at 99-101). Instead, the Attorney General asserts that the Program Administrators should align inspection rates with more reasonable standards to make better use of ratepayer funds (Attorney General Reply Brief at 12).

Finally, the Attorney General argues that the Program Administrators should be required to work with DOER and the Council to streamline the role of potential studies for use in future Three-Year Plans. The Attorney General maintains that traditional potential studies require substantial resources. She argues that such studies may no longer be needed given the shift in focus in the Three-Year Plans away from energy savings and towards GHG emissions reductions (Attorney General Brief at 26). To implement this recommendation, the Attorney General requests that the Department suspend its prior directives requiring potential studies (Attorney General Brief at 26-27, citing 2019-2021 Three-Year Plans Order, at 138; Guidelines § 3.4.7.1).

3. Department of Energy Resources

DOER recommends that the Department approve the Three-Year Plans (DOER Brief at 3-4). DOER argues that the Three-Year Plans: (1) are fully consistent with the requirements of the Green Communities Act; (2) meet the EEA Secretary's GHG emissions reduction goals; (3) build upon the lessons learned in previous plans; and (4) appropriately incorporate the priorities of the EEA Secretary, the Council, and many stakeholders (DOER Brief at 3, 14-15). DOER further argues that the Three-Year Plans are designed to achieve each of these priorities within the EEA Secretary's $5 billion budget cap (DOER Brief at 20).

DOER argues that the Three-Year Plans appropriately: (1) prioritize building decarbonization measures; (2) prioritize various equity outcomes; (3) include significant enhancements to the customer experience; (4) include increased support for workforce development; and (5) drive market transformation (DOER Brief at 16-19). DOER asserts that the Three-Year Plans contain meaningful strategies and an unprecedented level of investment to serve historically underserved communities and customer groups, including moderate-income customers, renters, small businesses, and LOTE customers (DOER Brief at 21).

DOER further supports the Program Administrators' focus on enhanced initiatives in designated equity communities to increase participation by underserved customers. To this end, DOER supports the Program Administrators' proposed criteria for selecting designated equity communities (including the Compact's modified criteria) (DOER Brief at 23).

Finally, to minimize administrative costs, DOER argues that the Department should require the Program Administrators to conduct one single statewide study of energy efficiency potential for the 2028-2030 Three-Year Plan term (DOER Reply Brief at 4-5). DOER maintains

that such study should highlight Program Administrator-specific energy efficiency opportunities (DOER Reply Brief at 5). To this end, DOER agrees with the Attorney General's recommendation that the Program Administrators be directed to work with the Council in developing the scope of the potential study (DOER Reply Brief at 5 n.17).

4. Acadia Center

Acadia argues that the proposed Three-Year Plans: (1) prioritize "significant and welcome" improvements to decarbonization, equity, and the customer experience; and (2) deliver needed decarbonization and equity improvements to Massachusetts. For these reasons, Acadia argues that the Department should approve the Three-Year Plans (Acadia Brief at 1).

5. Conservation Law Foundation

CLF asserts that the proposed Three-Year Plans are a "substantial improvement" over previous plans in terms of equity in energy efficiency delivery and decarbonization (CLF Brief at 6). In particular, CLF notes that the proposed Three-Year Plans contain the following improvements: (1) a higher level of equity spending; (2) more targeted support for renters; (3) expanded offerings for low- and moderate-income customers; and (4) new strategies to support hard-to-measure initiatives (CLF Brief at 6). In addition, CLF maintains that the Three-Year Plans contain ambitious weatherization and heat pump goals that will result in "deep reductions" to energy consumption and GHG emissions (CLF Brief at 6-7).

CLF argues that the proposed Three-Year Plans generally are designed to achieve all cost-effective energy efficiency as required by G.L. c. 25, § 19(a) and Department precedent (CLF Brief at 15). Therefore, CLF urges the Department to approve the Three-Year Plans but

with certain modifications it contends are necessary to ensure that they meet statutory requirements to promote equity and achieve GHG emissions reduction goals (CLF Brief at 6-7, 16, 49-50; CLF Reply Brief at 3).

First, CLF argues that the Department should set a higher target for low- and moderate-income heat pump installations (CLF Brief at 13, 16, 26-28). Although CLF recognizes that the proposed target of heat pump installations represent a "significant increase" from the 2022-2024 Three-Year Plans, CLF argues that this target is not enough to achieve equitable access to the Mass Save programs (CLF Brief at 26-28). CLF maintains that the Program Administrators should set a revised target of approximately 28,000 to 35,000 low-and moderate-income heat pump installations, consistent with the recommendation of the Council's equity working group (CLF Brief at 27, citing Exh. CLF-MW-1, at 13).

Second, CLF urges the Department to reject the proposed C&I carbon capture and sequestration measure as it provides no clear energy saving benefits contrary to G.L. c. 25, § 21(b)(1) and is an inappropriate use of ratepayer funds (CLF Brief at 7, 16, 29-31). CLF further argues that the Program Administrators did not provide a sufficient level of detail regarding the proposed measure to facilitate Department review (CLF Brief at 31, citing 2022-2024 Three-Year Plans Order, at 117).

CLF supports the Program Administrators' proposed geographic targeting approach to designate 21 equity communities to prioritize households, including renter households, that would benefit most from energy efficiency and electrification improvements (CLF Brief at 21-22). Regarding renters, CLF argues that the Program Administrators should be required to conduct appropriate outreach to ensure that the renter protections included in the Three-Year

Plans are effective (CLF Brief at 21, 23). Although it concedes that enforcement of the agreements prohibiting evictions and rent increases may exceed the scope of the Program Administrators' authority, CLF argues that they should take steps to facilitate enforcement through data collection and reporting (CLF Brief at 23).

CLF argues that the Program Administrators should be required to conduct appropriate outreach to ensure that the renter protections included in the Three-Year Plans are effective (CLF Brief at 21, 23). Although it concedes that enforcement of the landlord agreements prohibiting evictions and rent increases may exceed the scope of the Program Administrators' authority, CLF argues that the Program Administrators should take steps to facilitate enforcement of these agreements through data collection and reporting (CLF Brief at 23).

6. Low-Income Energy Affordability Network

LEAN fully supports the 2025-2027 Three-Year Plans as filed, including the heat pump equipment procurement procedures (LEAN Brief at 1, 11). LEAN appreciates the Attorney General's intent to reduce ratepayer costs but argues that there is no evidence to show that heat pump costs are susceptible to further reduction by means other than those already in place (LEAN Brief at 3-7). Additionally, LEAN argues that the Attorney General's proposals targeting cost savings from the cooperative bulk purchasing of heat pump equipment fail to recognize the discounts already incorporated into such purchases and the custom nature of the installations (LEAN Brief at 3, 6-7).

Finally, LEAN argues that the Attorney General's proposal to cut post-implementation inspections as to lower administrative costs is ill-advised as such inspections are an important means to educate contractors and improve service to low-income customers (LEAN Brief at 9).

LEAN further argues that such cuts are not necessary as low-income administrative costs (as a percentage of program costs) are the lowest of all customer sectors (LEAN Brief at 8).

7. Green Energy Consumers Alliance

Green Energy expresses concern with what it maintains is the Program Administrators' significant shift in the proposed use of ratepayer funds for GHG emissions management projects with little or no energy benefits (Green Energy Brief at 13, citing Statewide Plan, Exh. 1, at 168, 192-193 (i.e., refrigerant emissions mitigation for grocery stores; carbon capture and sequestration from CHP facilities; embodied carbon reduction in new construction; and behind-the-meter leak remediation measures) (Green Energy Brief at 13). Green Energy argues that these projects and, in particular the carbon capture proposal, raise "important questions about the limits on monopoly utilities' expenditures of their ratepayers' dollars on non-energy projects" (Green Energy Brief at 13). Green Energy asserts that the Department should not approve the Program Administrators' carbon capture proposal, suggesting that the Program Administrators are not best positioned to do this work and the Department should establish some "reasonable boundaries" on Mass Save program expansion (Green Energy Brief at 13).

D. Analysis and Findings

1. Introduction

Energy savings represent the electricity, natural gas, heating oil, propane, and other resources saved due to the deployment of energy efficiency. The Department considers energy savings to evaluate the degree to which the proposed Three-Year Plans achieve their mandate of acquiring all cost-effective energy efficiency and demand reduction resources. G.L. c. 25, § 21(b)(1). In addition, the Department must determine if the Three-Year Plans are constructed

to meet or exceed the GHG emissions reduction goals set by the EEA Secretary pursuant to G.L. c. 21N, § 3B. When reviewing individual savings goals, the Department must ensure that each Program Administrator has taken appropriate steps to demonstrate that its Three-Year Plan: (1) establishes a sustainable effort in its continued delivery of energy efficiency; (2) has considered new technologies and enhancements; (3) has sought to design programs to address identified barriers; and (4) has included the results of avoided costs, potential, and EM&V studies. 2022-2024 Three-Year Plans Order, at 83-84; 2019-2021 Three-Year Plans Order, at 10-11; 2016-2018 Three-Year Plans Order, at 25-27; 2013-2015 Three-Year Plans Order, at 37-40. In addition, the Department considers whether the proposed programs prioritize safety, reliability, security, affordability, equity, and the GHG limits established pursuant to G.L. c. 21N. G.L. c. 25, § 1A. These issues are relevant to the Department's ultimate determination of whether the Three-Year Plans will provide for the acquisition of all available cost-effective energy efficiency and demand reduction resources. See G.L. c. 25, §§ 19(a), 19(b), 21(b)(1).

The Energy Act of 2018 amended the Green Communities Act to expand the scope of energy efficiency programs that are eligible for inclusion in the Three-Year Plans. St. 2018, c. 227, § 2. In pursuit of the achievement of all cost-effective energy efficiency and demand reduction resources, a three-year energy efficiency plan shall include efficiency and load management programs, including strategic electrification, that result in cost-effective reductions in GHG emissions while minimizing ratepayer costs. G.L. c. 25, § 21(b)(2)(iv)(A).

2. Plan Goals and Budgets[63]

The Statewide Plan contains aggregate savings and GHG emissions reduction goals, as well as individual savings and GHG emissions reduction goals for each electric and gas Program Administrator (Statewide Plan, Exh. 1, App. C (Rev.)). These goals were developed through a collaborative stakeholder process that culminated in the Council's unanimous approval of the Statewide Plan as: (1) meeting the Green Communities Act requirement to achieve all available, cost-effective energy efficiency; and (2) aligning with the EEA Secretary's GHG emissions reduction goals pursuant to G.L. c. 21N, § 3B (Statewide Plan, Exh. 1, at 38).

After review, the Department finds that the statewide and individual Program Administrator savings goals developed through this process, while aggressive, took into consideration potential studies,[64] program sustainability, and Program Administrator-specific factors (Statewide Plan, Exh. 1, at 52-57; Exhs. BGC-2, at 4, 90-92; EGMA-2, at 8, 94-96; FGE-Gas-2, at 5, 96-98; LU-2, at 6-7, 97-99; NG-Gas-2, at 8, 96-98; NSTAR-Gas-2, at 8, 94-96; Compact-2, at 4, 87-89; FGE-Electric-2, at 5, 96-99; NG-Electric-2, at 9; 97-99; NSTAR-Electric-2, at 8, 94-96). Additionally, the Department finds that the net lifetime all fuel savings metric was appropriately calculated by converting all fuel savings to MMBtu and accounts for embedded energy with heat values from a mix of fuels when converting electric savings. Guidelines § 3.4.7.2. Further, the Department finds that the aggregate and individual

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[63] The Department addresses the Program Administrators' proposed budgets in Section IX.B, below.

[64] The Department discusses potential studies in Section III.D.5, below.

gas and electric savings goals will be consistent with the achievement of all available cost-effective energy efficiency (Statewide Plan, Exh. 1, at 51-57).

In addition, each Three-Year Plan must be designed to meet the GHG emissions reduction goals set by the EEA Secretary pursuant to G.L. c. 21N, § 3B. St. 2021, c. 8, §§ 26A, 28; D.P.U. 20-150-A at 7, 50; Guidelines § 3.4.7. As described above, the EEA Secretary established an overall goal to reduce CO_2e emissions by one million metric tons by 2030, with 625,000 metric tons allocated to the electric Program Administrators and 375,000 metric tons to the gas Program Administrators (Statewide Plan, Exh. 1, EEA Secretary's Letter at 2, Table 1).

The Statewide Plan is designed to achieve a total of 1,021,899 metric tons of CO_2e emissions reductions by 2030, directly associated with the energy efficiency measures implemented in 2025-2027, with 556,621 metric tons of CO_2e emissions reductions attributed to the electric Program Administrators and 465,280 metric tons of CO_2e emissions reductions attributed to the gas Program Administrators (Statewide Plan, Exh. 1, App. C. (Rev.)). As filed, the electric Program Administrators' Three-Year Plans fall short of the electric sector goal set by the EEA Secretary (Statewide Plan, Exh. 1, at 52 App. C. (Rev.), Tab "GHG"). To achieve the overall goal, the Program Administrators propose to transfer approximately 90,280 metric tons of CO_2e emissions reductions to be achieved by the gas Program Administrators to the electric Program Administrators (Statewide Plan, Exh. 1, at 52, App. C. (Rev.), Tab "GHG"). The Program Administrators argue that this reallocation is appropriate because when establishing the overall goal, the EEA Secretary allowed them "some flexibility in the allocation of the emission reductions by sector to facilitate the [P]rogram [A]dministrators' achievement of the overall goal

and optimizing opportunities in the delivery of the programs" (Exh. DPU-Comm 14-1). No party objects to the Program Administrators' proposal.

The Department finds that the Three-Year Plans are constructed to prioritize measures that provide long-term GHG emissions reductions that exceed the cumulative goal set by the EEA Secretary (Statewide Plan, Exh. 1, App. C. (Rev.)). Further, although the electric Program Administrators' Three-Year Plans fall short of the electric sector goal set by the EEA Secretary, we find that their proposal to make up for the shortfall in planned electric GHG emissions reductions by relying on the gas Program Administrators' electrification efforts is within the scope of the flexibility allowed them by the EEA Secretary (EEA Secretary's Letter).

Finally, pursuant to G.L. c. 25, § 21(d)(5), the Department must issue a statement 15 months after the conclusion of the final year of the Statewide Plan regarding the degree to which the activities undertaken by the Program Administrators pursuant to the performance of each Three-Year Plan met the goals for the Statewide Plan set by the EEA Secretary pursuant to G.L. c. 21N, § 3B. Accordingly, in each Annual Report and Term Report for the 2025-2027 Three-Year Plan term, the Program Administrators shall describe in detail how they have implemented the Three-Year Plans in a manner that aligns with the achievement of the EEA Secretary's overall and sector-specific GHG emissions reduction goals.

3. Offerings and Enhancements

a. Sector-Based Offerings and Strategic Enhancements

As described in Section III.B.2.a, above, the Program Administrators propose several new offerings and strategic enhancements in the residential, income-eligible, and C&I sectors. Many of the new offerings and strategic enhancements are intended to improve the customer

experience and reduce barriers to participation across all sectors, with a particular focus on historically underserved customers and communities (as discussed in Section III.B.2.b, below) (Statewide Plan, Exh. 1, at 2).

Heat pumps are a significant focus of the offerings in these Three-Year Plans. The Department recognizes not only the ambitious nature of the Program Administrators' goal for low-income heat pump installations—approximately 50 percent year-over-year growth in heat pump installations in the low-income program during the Three-Year Plan term—but also the careful consideration and planning undertaken by the Program Administrators and the Council to arrive at the specific goals (Statewide Plan, Exh. 1, at 12, 28, 150). These points notwithstanding, CLF recommends that the Department direct the Program Administrators to set higher targets of approximately 28,000 to 35,000 heat pump installations for low- and moderate-income customers (CLF Brief at 27; Exh. CLF-MW-1, at 13).

As noted above, the proposed heat pump targets were informed by consensus and they incorporate a balance of cost considerations and GHG emissions reduction goals (Statewide Plan, Exh. 1, at 3, App. I, EEA Secretary's Letter at 2; Exh. CLF-MW-1, at 13). Further, as the Program Administrators note, the proposed targets incorporate the current workforce capacity to electrify homes (Program Administrators Reply Brief at 10-13). For these reasons, we decline to adopt CLF's recommendation regarding modified heat pump installation targets for low- and moderate-income customers.

The proposed new offerings and strategic enhancements entail significant costs (Statewide Plan, Exh. 1, at 52). As a means of streamlining the programs and mitigating some of the costs, the Attorney General recommends reducing the inspection rate for low-income projects

(Attorney General Brief at 15-16, citing Exh. AG-LN-1, at 44-47). The Department declines to adopt the Attorney General's recommendation. We agree with the Program Administrators and LEAN and find that at least for this Three-Year Plan term, universal post-installation inspections are necessary to ensure the quality of the work in low-income projects and to maintain customer confidence in the program. The Program Administrators shall include a summary of the results of all post-installation inspections for the low-income sector in their Annual Reports for the Three-Year Plan term. Based on a review of that information, the Department may revisit whether universal inspections for low-income projects continue to be warranted.

The Program Administrators propose to adopt a declining market-rate heat pump incentive design for this Three-Year Plan term (Statewide Plan, Exh. 1, at 310). Specifically, the Program Administrators propose to keep the market-rate incentive for 2025 at the same level it was during the 2022-2024 Three-Year Plan term, with the incentive level then declining in 2026 and again in 2027 (Exh. DPU-Comm 3-5, Att.). To control program costs and promote market certainty, the Attorney General recommends that the Department require the Program Administrators to set the market-rate heat pump incentive at the proposed 2027 level for the entire Three-Year Plan term (Attorney General Brief at 7-8).

When designing the proposed market-rate heat pump incentives, the Program Administrators aimed to achieve three objectives: (1) to provide an appropriate level of financial support to drive customer adoption of supported measures; (2) to enable a sufficient profit margin for both existing market actors and businesses that may be encouraged to enter the heat pump marketplace; and (3) to maximize cost efficiency of program delivery and achievement of planned outcomes (Exh. AG-Comm 1-9). The Department recognizes that the Program

Administrators are well-positioned to consider a reasonable heat pump incentive structure, given their proximity to the heat pump installer network and, consequently, the heat pump market (Tr. 1, at 199-200). Therefore, the Department will not require the Program Administrators to modify their heat pump incentive design at this time.

Nevertheless, we note that in arriving at the proposed heat pump incentive levels, the Program Administrators did not rely on any studies of customer price sensitivity regarding heat pump incentives or rebates (Tr. 1, at 180). Instead, the Program Administrators determined incentive levels by relying on data from the 2022-2024 Three-Year Plan term as a benchmark, their "best read" on the heat pump market, and heat pump goals (Tr. 1, at 180; Exh. DPU-Comm 3-2). The Department agrees with the Attorney General that the Program Administrators should study the effects of heat pump incentives on installation costs and customer decisions. Recognizing that there is little research on heat pump incentive levels, the Department directs the Program Administrators to conduct at least one market research and evaluation study to gather information on customer price sensitivity to heat pump incentives, the minimum Mass Save incentive levels needed to drive electrification among various customer groups, any evidence of program-induced effects on the price of heat pumps in Massachusetts, and any other factors that can reduce heat pump equipment and installation costs and program incentives needed to convince customers to install heat pumps and use them for heating. The Program Administrators shall file the results of their first such study with the Department no later than April 1, 2026.[65]

[65] This directive is addressed further in Section III.D.4, below.

Another important offering in the proposed Three-Year Plans that is critical to the adoption of heat pumps is the availability of HEAT Loans. As described above, the Program Administrators propose to introduce a variable HEAT Loan repayment term (based on three income tiers) to reduce program costs while still maintaining what they consider the essential zero percent financing option for all residential program participants (Statewide Plan, Exh. 1, at 261, 310). As a cost savings measure, the Attorney General recommends that the Department direct the Program Administrators to reduce the number of proposed HEAT Loan repayment terms from three to two based on modified income tiers (Attorney General Brief at 14).

The Department appreciates the Attorney General's focus on achieving HEAT Loan program cost reductions where appropriate. We decline to compel the adoption of her program design recommendation. Instead, we will permit the Program Administrators to implement their revised HEAT Loan program design, as proposed. As part of the required HEAT Loan study, the Program Administrators will consider whether any changes to repayment terms are appropriate (Tr. 2, at 269; Statewide Plan, Exh. 1, at 263; Exhs. DPU-Comm 10-1, AG-Comm 1-6(b)). Further, consistent with our directives in Section IX.D.4, below, to reduce the residential budget, we expect the Program Administrators, in consultation with the Attorney General and the Council, to consider whether to reduce HEAT Loan incentives.

As an additional cost savings measure, the Attorney General recommends that the Department direct the Program Administrators to explore: (1) cooperative purchasing for heat pump equipment and related services; and (2) negotiated pricing with contractors in the heat pump installation network (Attorney General Brief at 10, citing Exh. AG-LN-1, at 27). The Program Administrators do not agree and argue that bulk purchasing of heat pumps would

undermine the long-term development of the competitive market and run counter to their long-term market transformation efforts (Exhs. AG-Comm 1-1; AG-Comm 2-5(a); AG-Comm 3-2).[66]

Given the rapidly evolving nature of the heat pump market, the Department declines to require the Program Administrators to explore cooperative purchasing or negotiated pricing for heat pump equipment at this time. The Department will continue to monitor the development of this market. We expect the Program Administrators and the Council to consider the extent to which cooperative purchasing agreements and negotiated discounts with heat pump installer network contractors are appropriate for heat pump equipment and related services in the future.

The Program Administrators propose to offer heat pump O&M services to customers who receive air source heat pumps through the low-income program (Statewide Plan, Exh. 1, at 162). The Program Administrators did not determine the cost-effectiveness of this proposed offering because it is included in their sales, technical assistance, and testing ("STAT") budget and, therefore, is not a measure in the benefit-cost model (Tr. 2, at 331; Exh. DPU-Comm 21-13). The Program Administrators view the offering as a measure of assurance that heat pumps installed through the program will perform as expected for the duration of their useful life and therefore result in the energy savings and GHG reductions claimed at the time of installation (Exh. DPU-Comm 21-13). The Program Administrators also maintain that this offering will increase heat pump installations (Exh. DPU-Comm 21-13).

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[66] The Department acknowledges comments at a public hearing raising concerns about the challenges of bulk purchasing of heat pumps (Tr. C at 58-66).

The Department is concerned with the Program Administrators' exclusion of heat pump O&M costs from the benefit-cost model. The proposed heat pump O&M offering has the potential to increase STAT costs over a multi-year period, particularly as more customers become eligible for the service. Nonetheless, we agree with the Program Administrators' assessment that O&M services have the potential to increase uptake among low-income customers. In addition, we find that the Program Administrators have an incentive to control the cost of this offering because it is included in the value component of the performance incentive mechanism (Statewide Plan, Exh. 1, at 74-75).[67] For these reasons, the Department finds that the Program Administrators' proposed heat pump O&M offer is reasonable. The Department expects that the Program Administrators will closely monitor this offering and its impact on their annual STAT budgets. In addition, the Department directs the Program Administrators to include any such O&M costs in the benefit-cost model in future Three-Year Plan filings.

As part of their obligation to achieve all available, cost-effective energy savings, the Program Administrators state that they will provide weatherization and building envelope improvements for over 185,000 homes and small businesses over the Three-Year Plan term (Statewide Plan, Ex. 1, at 8). Because weatherization is recommended for all electrification and required for whole-home electrification, the Program Administrators recognize that achieving their electrification goals will also require addressing underlying barriers to weatherization

[67] The Program Administrators' proposed performance incentive mechanism is addressed in Section VII, below.

(Statewide Plan, Exh. 1, at 3, 81, n. 102).[68] The Department seeks to ensure that the timing of weatherization does not delay customer installation of heat pumps. As part of their 2025 Annual Report, the Department directs the Program Administrators to describe, based on actual experience in program delivery over the plan year: (1) the extent to which weatherization acts as a barrier to electrification; and (2) any recommended program design modifications to address such barriers.

b. Underserved Customer Groups

i. Introduction

The Program Administrators emphasize that one of the key strategic priorities of the proposed Three-Year Plans is to expand access to residential programs for low- and moderate-income customers, renters, and LOTE customers. The Department here specifically considers the Program Administrators' equity commitment, designated equity communities, and programs for renters.

ii. Equity Commitment

The Department acknowledges and supports the Program Administrators' efforts to prioritize equity and incorporate distributive justice as a major tenet of the 2025-2027 Three-Year Plans. The proposed $1.2 billion statewide budget for the low-income program—double the proposed statewide investment in the low-income program from the prior

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[68] The Program Administrators describe the various steps they are taking to address underlying barriers to weatherization, including: (1) offering weatherization through both a turnkey solution and a direct contractor model; (2) expanding weatherization incentives and the number of customers that qualify for no-cost weatherization; (3) providing funds to address pre-weatherization barriers; and (4) expanding the weatherization contractor network (Statewide, Exh. 1, at 13, 29-30, 88).

2022-2024 Three-Year Plans—provides an opportunity for unprecedented advancements in energy efficiency and decarbonization efforts for the low-income program (Statewide Plan, Exh. 1, App. C (Rev.), Table IV.C.1). 2022-2024 Three Year Plans Order, Exh. 1, App. C.1 (Budget) and App. C.2 (Budget).

The Department acknowledges the Program Administrators' commitment to making a significant investment in reaching historically underserved customer groups for the 2025-2027 Three-Year Plan term and achieving equity in the provision of energy efficiency and decarbonization programs in the Commonwealth (Statewide Plan, Exh. 1, at 2-3, 11, 28, 37). As described in Section III.B.2.b, above, the Program Administrators propose strategies to address participation barriers for historically underserved customers to deliver more equitable access to and participation in energy efficiency programs, particularly among those groups who have participated at lower rates in the past (Statewide Plan, Exh. 1, at 94, App. U). The Department finds that these efforts will promote equity and help the Program Administrators pursue all cost-effective energy efficiency. G.L. c. 25, §§ 1A, 21(b)(1), 21(b)(2).

iii Designated Equity Communities

In collaboration with DOER and the Council, the Program Administrators determined that the best way to achieve more equitable participation of historically underserved customers was to use a geographic approach to select a set of focus communities with high concentrations of renters and low- and moderate-income customers (Tr. 2, at 255-256; Statewide Plan, Exh. 1, at 2, 32-33; Exh. DPU-Comm 19-1). Using selection criteria arrived at through discussion with the Council and its equity working group, the Program Administrators identified 21 designated equity communities.

The Department finds that the criteria used by the Program Administrators to identify the 21 designated equity communities, including the modified criteria applied by the Compact, are reasonable (RR-DPU-6; Exh. DPU-Comm 19-2 (Rev.); Statewide Plan, Exh. 1, at 12-13, 118).[69] In particular, the use of income and renter status to select communities is supported by the findings from the 2013-2022 Residential Non-Participant Study, which showed that the participation gap increased for census block groups with high concentrations of renters and hard-to-reach communities and residents of these communities participated in the programs at significantly lower rates compared to other communities (Statewide Plan, Exh. 1, App. U, Study 25-19; Exhs. DPU-Comm 19-1; DPU-Comm 19-5). In addition, we find that the eligibility criteria established by the Program Administrators are appropriately tailored to achieve increased equity by focusing on communities with significant populations of hard-to-reach customers, notably renters—a customer group that, as discussed below, we have repeatedly directed the Program Administrators to strategically address (Statewide Plan, Exh. 1, at 16, 32-33, 118-121).

To evaluate the success of the targeted efforts to increase participation, the Department directs the Program Administrators to continue to track participation in all service areas by

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[69] In 2022-2024 Three-Plans Order, at 97, the Department found that the Program Administrators should use three criteria to identify communities to target for equity investment and outreach strategies. Specifically, the Department found that that eligible municipalities should: (1) be served by an electric and/or gas Program Administrator; (2) contain at least one environmental justice population as defined by the EEA Environmental Justice Policy; and (3) have historically low participation rates.

municipality[70] and to conduct an updated residential non-participant customer profile study to be filed with the Department no later than March 1, 2027. See 2022-2024 Three-Year Plans Order, at 100 & n.68. In addition, each Program Administrator also shall include detailed Program Administrator-specific testimony in its 2028-2030 Three-Year Plan filing: (1) describing how the Program Administrator sought to increase participation in the designated equity communities; and (2) the results of such efforts.

iv. Renters

Since 2012, the Department has repeatedly stated that Program Administrators must address the participation barriers that impede the achievement of deeper participant savings for renters.[71] See 2022-2024 Three-Year Plans Order, at 125-126; 2019-2021 Three-Year Plans Order, at 43-44, 94-95; 2016-2018 Three-Year Plans Order, at 26-27; 2013-2015 Three-Year Plans Order, at 45-48. As described above, the Program Administrators propose several new energy efficiency and decarbonization offerings in the Three-Year Plans that are designed to

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70 In addition, the Program Administrators shall track participation by neighborhood for the City of Boston.

71 During the 2022-2024 Three-Year Plan term, at the direction of the Department, the Program Administrators undertook a "non-participant" study to compare customer participation in energy efficiency programs from 2013-2017 with 2018-2022 (Statewide Plan, Exh. 1, App. U, Study 25-19). The study found that while participation rates in hard-to-reach communities (i.e., communities with high concentrations of low- and moderate-income customers, renters, multifamily households, and LOTE customers) increased from 2013-2017 to 2018-2022, hard-to-reach communities experienced lower participation rates than other communities over the entire study term (Statewide Plan, Exh. 1, App. U, Study 25-19; see, e.g., Exh. NG-Gas-2, at 87-94).

address barriers to participation for residential and small business renters and landlords (Statewide Plan, Exh. 1, at 7, 12, 118-121, 169, 223).

The Department notes that landlords expressed support for and interest in the proposed rental offerings at the public hearings in these cases. In particular, the executive director of MassLandlords, a not-for-profit trade association for landlords in Massachusetts, generally expressed the organization's support for the Three-Year Plans (Tr. A at 19-22). In addition, a landlord testified that they were interested in proposed rental offerings in the Three-Year Plans that would enable them to convert from oil to electric heating (Tr. A at 22). The Department encourages and supports comprehensive strategies to increase renter and landlord participation in energy efficiency programs and commends the Program Administrators, DOER, and the Council's equity working group for the Three-Year Plans' notable improvements regarding this challenging issue. The Department finds that these offerings are designed to promote equity and address barriers to participation for this historically underserved customer group.

As a condition of installing heat pumps as part of the renter offerings, the Program Administrators will require landlords to execute an agreement with the project vendor—already required in the low-income single-family program—restricting tenant evictions and rent increases[72] for a two-year period following the completion of the installations (Statewide Plan, Exh. 1, at 94, 118-119; Exhs. DPU-Comm 2-5; AG-Comm 1-20). In the event of a breach, the

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[72] The Program Administrators have not yet developed the rental electrification agreement to be signed by the Program Administrator lead project vendor, landlord, and tenant (RR-DPU-4 & Att.). The agreement prohibits rent increases due to the value added by the energy efficiency improvements (Tr. 2, at 241, 247-248; see RR-DPU-4 & Att.).

agreement requires the landlord to reimburse the project vendor for the cost of the energy efficiency improvements (Tr. 2, at 246; Exh. DPU-Comm 2-5).

The Program Administrators' proposal to require landlords to agree to the above restrictions aims to address renter displacement—an issue that is critical to equity. The Department recognizes that in designing these programs, the Program Administrators were required to strike a difficult balance between protecting renters from displacement and creating an offer that will entice landlords to significantly increase the number of electrified rental units (Tr. 2, at 249). The Department supports the Program Administrators' goals to protect renters from displacement and encourage landlord participation in decarbonization offerings. The Department is concerned, however, that landlords may be unwilling to accept energy efficiency incentives conditional on restrictions on rent increases and tenant evictions. While the Program Administrators testified that they know of no instance where a landlord declined to participate in the existing low-income single-family program due to similar restrictions, they have not collected data on this issue (Tr. 2, at 252-253).

To address this issue, the Department will require the Program Administrators to conduct an expedited, qualitative study on whether the required restrictions on rent increases and tenant evictions addressed in the landlord electrification agreement act as a barrier to landlord participation in rental electrification measures. The initial study should be conducted by the Program Administrators following implementation of the agreement and must be submitted to the Department no later than April 1, 2026, along with any recommended changes in the renter electrification agreement for the duration of the 2025-2027 Three-Year Plan term. Subsequently, the Program Administrators shall conduct a qualitative and quantitative study to assess

measurable impacts of the renter electrification agreement on landlord participation in energy efficiency programs over the full 2025-2027 Three-Year Plan term. Finally, on or before April 1, 2027, the Program Administrators shall consult with the Council equity working group and update their "Strategic Renters Plan," initially filed on September 15, 2022, in response to the Department's directives in 2022-2024 Three-Year Plans Order, at 101.

CLF expressed concern that the Program Administrators do not have an adequate process to enforce the renter protections in the renter electrification agreements (CLF Brief at 23). The Program Administrators testified that for the low-income single family program, they primarily rely on tenants to report any breaches (Tr. 2, at 245-247). The Department expects that the Program Administrators will continue to work with the Council's equity working group to improve and refine their offers to renters and the enforcement of renter electrification agreements. Specifically, the Program Administrators should provide tenants with a plain language summary of the renter electrification agreement entered into by landlords, tenants, and the Program Administrator's lead project vendor to explain the protections and how to report any violations. The Department further encourages the Program Administrators to continue their discussions with municipal officials in designated equity communities on local regulatory options for enforcing renter electrification agreements (Tr. 2, at 244-245; Exh. DPU-Comm 2-5).

c. Greenhouse Gas-Centered Measures[73]

i. Behind-the-Meter Natural Gas Leak Mitigation

The gas Program Administrators, specifically EGMA, National Grid (gas), and NSTAR Gas, plan to offer a behind-the-meter gas natural gas leak mitigation custom measure in the C&I sector, where the Program Administrators will repair natural gas leaks on the customer side of the meter (Statewide Plan, Exh. 1, at 192). Green Energy argues that the Department should reject this measure as it raises important questions about the limits of using ratepayer dollars on non-energy projects (Green Energy Brief at 13).

The Program Administrators explain that this proposed measure will not impact the amount of natural gas consumed by fossil fuel-burning equipment at the site, but that reducing behind-the-meter gas leaks will result in an estimated annual energy savings between 1,000 and 2,000 MMBtu per project (Statewide Plan, Exh 1, App. L at 404-406; Exhs. EGMA-5 (Rev.); NG-Gas-5 (Rev.); NSTAR-Gas-5 (Rev.)). Although the Program Administrators propose to include the global warming potential benefits associated with methane emissions in their benefit-cost models, this measure is projected to be cost-effective without those benefits (Statewide Plan, Exh. 1, at 168; Exhs. EGMA-5 (Rev.); NG-Gas-5 (Rev.); NSTAR-Gas-5 (Rev.)). Accordingly, because the proposed measure will reduce GHG emissions and is projected to be cost-effective, the Department approves the proposed behind-the-meter natural gas leak mitigation measure.

[73] In this section, we address four proposed new measures that the Program Administrators describe as "primarily intended to reduce GHG emissions, with on-site energy use reductions potentially serving as a secondary objective" (Statewide Plan, Exh. 1, at 168, 191-192).

ii. Refrigerant Measures

The electric Program Administrators propose two refrigerant leak and retrofit measures for large chain grocery store customers: (1) a leak detection survey and repair measure to support customers by reducing leak rates for locations using high-global warming potential refrigerants, and (2) a refrigerant retrofit measure to help customers retrofit their high-global warming potential refrigerants with compatible, low-global warming potential alternatives (Statewide Plan, Exh 1, at 192-193). The Program Administrators indicate that these measures are based on a similar demonstration project proposed by National Grid (electric) in D.P.U. 23-54, although the proposed incentive levels are different, with the incentives here covering only 50 percent of the project cost rather than 100 percent of costs in the original National Grid (electric) proposal (see, e.g., Exhs. BGC-2, at 98; EGMA-2, at 105).

DEP regulations prohibit the use of high-global warming potential refrigerants in new or retrofitted refrigeration equipment. 310 CMR 7.76. The Program Administrators assert that the proposed refrigerant measures will help participating C&I customers meet and exceed these requirements (see, e.g., Exh. BGC-2, at 101; EGMA-2, at 107-108). In addition, the Program Administrators maintain that the refrigerant leak mitigation measures could produce significant reductions in GHG emissions and lead to energy savings, particularly where there is not a mandate that owners retrofit refrigeration equipment (Exh. DPU-Comm 11-2; see, e.g., Exhs. BGC-2, at 101; EGMA-2, at 107-108; Tr. 2, at 300-301, 307).

No party objected to the Program Administrators' proposed refrigeration measures. Accordingly, given their potential to produce significant GHG emissions reductions and, further,

the potential of refrigerant leak mitigation measures to produce energy savings, the Department approves the proposed refrigeration measures.

As described above, the Program Administrators intend to focus participation in these two measures on large grocery stores (Tr. 2, at 294-295). The Program Administrators should also explore whether small and medium-sized grocery stores or other C&I customers that employ refrigeration equipment could also benefit from these measures. To this end, the Department directs the Program Administrators to conduct an expedited, focused study to determine the appropriate incentive design for the participation of small and medium grocery stores in these measures and to evaluate the potential for expanding such measures to other C&I customers that employ refrigeration equipment, such as laboratory and medical facilities. The results of this study, along with any recommended program changes, must be submitted to the Department by April 1, 2026. Lastly, the Program Administrators shall track and report metrics on the refrigerant measures in their Annual Reports, including number of customers served, number of measures delivered, project timelines, costs per project, and incentive payments.

iii. Carbon Capture and Sequestration

As described above, the Program Administrators propose to implement a custom C&I measure to incentivize combined heat and power and fuel cell facility customers to install carbon capture and sequestration equipment designed to reduce GHG emissions (Statewide Plan, Exh. 1, at 168, 191-192; Tr. 1 at 96-97). The Program Administrators acknowledge that they do not have experience with this technology, are in "the early exploration phase" of designing this measure, and have not yet identified any customers interested in this offering for the 2025-2027 Three-Year Plan term (Tr. 1 at 97-98).

CLF and Green Energy argue that the Department should not approve the proposed carbon capture and sequestration measure (CLF Brief at 29-31; Green Energy Brief at 13). Specifically, CLF and Green Energy assert that the proposal is an inappropriate use of ratepayer-provided energy efficiency funds because it will provide no clear energy savings (CLF Brief at 29-31; Green Energy Brief at 13). Further, Green Energy argues that the Program Administrators have not shown that they are capable of providing carbon capture and sequestration (Green Energy Brief at 13). The Program Administrators respond that the measure is consistent with the 2021 Climate Act because it is primarily designed to reduce GHG emissions and is cost effective (Program Administrators Reply Brief at 22-23, citing G.L. c. 25, § 21(b)(2)).

The Program Administrators have not produced sufficient record evidence on which we could approve this proposal. The Program Administrators' carbon capture and sequestration proposal remains unformed, in large part because in-process carbon capture and sequestration technology remains in early stages of research and development in the market as a whole. Accordingly, the Program Administrators could not have developed experience deploying measures of this nature. On this record, the Department is not persuaded that the Program Administrators are the most appropriate entity to engage in carbon capture and sequestration (Tr. 1, at 97-98; see Statewide Plan, Exh. 1, at 168, 191-192). Accordingly, the Department does not approve the Program Administrators' proposed carbon capture and sequestration measure. The Department directs the Program Administrators to monitor the development of these technologies as potential cost-effective measures that could be approved in a future Department proceeding.

iv. Embodied Carbon

The Program Administrators propose a suite of measures that they say are designed to provide an incentive for customers to lower the global warming potential of new residential and C&I buildings by choosing construction materials with lower embodied carbon levels and identifying opportunities to optimize building design and material reuse (Statewide Plan, Exh. 1, at 9, 102, 182-183). The Program Administrators assert that their proposed embodied carbon[74] measures are innovative program designs that incorporate the latest industry standards and research (Statewide Plan, Exh. 1, at 102, 182-183; Exhs. DPU-Comm 2-3, DPU-Comm 8-6, DPU-Comm 24-13; Tr. 1, at 79-83). The Program Administrators' confidence in these proposed measures notwithstanding, Green Energy and CLF argue that the Department should not approve these measures as they are not an appropriate use of ratepayer-provided energy efficiency funds and do not produce clear energy saving benefits required by G.L. c. 25, § 21(b)(1) (CLF Brief at 7, 16, 29-31; Green Energy Brief at 13).

Similar to the Carbon Capture and Sequestration measure, the Department finds that the Program Administrators have not provided a sufficient level of detail regarding the proposed Embodied Carbon measures to facilitate Department review. See 2022-2024 Three-Year Plans Order, at 117. Essential aspects of the Program Administrators proposed Embodied Carbon measures are still being developed, are subject to change over the Three-Year Plan term, are

[74] The Program Administrators indicate that embodied carbon has been recognized as an important source of GHG emissions in the building sector, with several states and municipalities taking action to reduce embodied carbon levels in new construction projects via "buy clean" laws, building codes, and energy codes (Statewide Plan, Exh. 1, at 102, 181-182).

inconsistent between single-family and multi-family/C&I offerings, and are not supported by existing data (Exhs. DPU-Comm 8-6; DPU-Comm 24-13; DPU-Comm 24-14; DPU-Comm 24-15; Tr. 1 at 79-80, 83-84, 86-87, 89-91). Further, the embodied carbon accounting field is both emergent and evolving, with significant variability in the methods used to determine the incremental costs of reducing a building's embodied carbon (Exh. DPU-Comm 24-13; Tr. 1, at 86-87, 92). In addressing this uncertainty, the Program Administrators offered to use an existing C&I incentive rate, converted from per-kWh to per-kgCO_2e, that falls within the ranges of the carbon credit market. The Program Administrators did not, however, provide any support for why they selected this particular incentive rate to represent embodied carbon nor did they provide insight into how the rate compares to the carbon trading markets, which they note as having "high variability" (Exhs. DPU-Comm 2-3, DPU-Comm 24-13; Tr. 1 at 91-92). For these reasons, the Department does not approve the Program Administrators' proposed Embodied Carbon measure.

There are statewide efforts currently underway outside of the energy efficiency context to address building sector emissions.[75] The Department is optimistic that the Legislatively required embodied carbon reduction plan will establish a standard, localized, and comprehensive strategy toward reducing GHG emissions in the building sector. The Department appreciates the Program Administrators' efforts considering a novel measure designed to target an important

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[75] The 2024 Climate Act established an embodied carbon intergovernmental coordinating council that must submit an embodied carbon reduction plan to the Legislature no later than July 31, 2025. This report shall make recommendations for establishing a process to set, on or before January 1, 2026, maximum global warming potential values for products likely to be used in building and transportation projects. St. 2024, c. 239, §§ 73(b)-(c), 115.

source of GHG emissions. We further see merit in the Program Administrators continuing to coordinate their energy efficiency programs with other building decarbonization programs initiated by the Commonwealth, such as the embodied carbon intergovernmental coordinating council, and we remain open to the future possibility of stacking energy efficiency funds with other funds focused on embodied carbon measures. However, for the reasons discussed above, we find that consideration of an Embodied Carbon measure in the context of the Three-Year Plans is premature.

d. National Grid Behavioral Measure

National Grid (electric) proposes to implement an expanded behavioral demand response offering designed to leverage the Program Administrator's AMI technology to educate customers and encourage energy savings behaviors through the receipt of high usage alerts before peak events (Statewide Plan, Exh. 1, at 322; Exh. NG-Electric-2, at 88). National Grid (electric) indicates that it will track the number of customers who opt out of participating and will measure the energy savings of the offering through a randomized control trial (Exh. DPU-NG-Electric 1-1).

No party objected to National Grid (electric)'s proposed behavioral demand response offering. After review, the Department approves National Grid (electric)'s proposed expanded behavioral demand response offering.

e. Eversource-Specific Offerings

Eversource proposes to continue three Program Administrator-specific offerings: (1) Residential and School Education; (2) Steam Electrification; and (3) Localized Decarbonization Approaches (Statewide Plan, Exh. 1, App. K at 319-321, 323-324).

Eversource's proposed Residential and School Education offering falls within the Residential Hard-to-Measure offerings and, therefore, is not subject to cost-effectiveness screening (Exh. NSTAR-Electric-4 (Rev.) at "Cost Effectiveness" tab). Guidelines § 3.4.3.1. No party objected to this proposed offering.

The Department finds that continuing the Residential and School Education offering is reasonable because it will support long-term energy efficiency behaviors and workforce development in the energy efficiency sector (Statewide Plan, Exh. 1, App. K at 319). Eversource must, however, ensure that its Residential and School Education offering is not duplicative of its statewide K-12 educational offerings (Statewide Plan, Exh. 1, at 145-148). In each Annual Report, Eversource shall describe how the activities undertaken pursuant to the Eversource-specific Residential and School Education differ from any activities undertaken through the statewide K-12 educational offerings.

With respect to the proposed Steam Electrification offering, the Department finds that it is reasonable for Eversource to offer electrification measures to customers currently taking service from district steam loops in Boston, as these customers pay the EES through their individual electric accounts (Statewide Plan, Exh. 1, App. K at 323). Further, no party objected to this offering. Accordingly, the Department allows Eversource's proposed Steam Electrification offering.

Finally, the Department has concerns about Eversource's Localized Decarbonization Approaches proposal. Under this measure, Eversource proposes to provide technical assistance to communities impacted by investments Eversource makes pursuant to its ESMP and D.P.U. 20-80-B targeted electrification pilot to help residents take advantage of existing Mass

Save programs (Tr. 1, at 100-101, 103-104). By its own admission, Eversource's proposal lacks details regarding how the interaction of these three discrete areas of investment would work (Tr. 1, at 100-101). Without these details, the Department cannot make a determination about the reasonableness of such an arrangement, whether it avoids double counting of benefits, or whether it properly takes into account the work of other groups, such as the Community Engagement Stakeholder Advisory Group established pursuant to Eversource's ESMP (Tr. 1, at 102-103). For these reasons, the Department declines to approve Eversource's proposed Localized Decarbonization Approaches offering at this time. The Department anticipates that Eversource will include more details about this proposal in the context of specific targeted electrification pilot proposals, at which time the Department will make a final determination whether to authorize this spending.

f. Municipal Energy Manager Grants

As described above, Eversource and National Grid propose to support energy efficiency and decarbonization improvements at schools in underserved communities through two offers, each of which involves funding the creation or expansion of a municipal energy manager role (Statewide Plan, Exh. 1, at 31). First, these Program Administrators propose to provide funds over multiple years to fully decarbonize five schools in underserved communities selected by DOER, including funding for a municipal energy manager in these communities (Statewide Plan, Exh. 1, at 31). Second, Eversource and National Grid propose to offer participating K-12 school districts that wish to decarbonize an opportunity to apply for a competitive grant to fund a municipal energy manager position (Statewide Plan, Exh. 1, at 31; Tr. 1, at 107-108). No party objected to these proposals.

The Department has reservations about the propriety of using ratepayer-provided energy efficiency funds to pay a salary for a municipal employee whose work will benefit only one municipality for activities that may not directly or exclusively contribute to statewide decarbonization goals.[76] However, the Department recognizes the value that an energy manager may play in decarbonizing municipal-owned buildings. Therefore, we will permit Eversource and National Grid to implement this program as a demonstration offering.

As part of this offering, Eversource and National Grid may use ratepayer-provided energy efficiency funds to support only those activities of the municipal energy manager that contribute to statewide decarbonization goals pursuant to G.L. 21N, § 3B. To that end, the Program Administrators must develop a robust procedure to document with specificity and report the activities of any municipal energy manager funded pursuant to these offers.

Starting with their Annual Reports for plan-year 2025, Eversource and National Grid shall provide the Department with an annual report detailing the operations of the Municipal Energy Manager demonstration offering. Eversource and National Grid shall report on the activity (e.g., communities supported, measures installed) and how the activity supports the Commonwealth's decarbonization goals. In addition to describing the operation of the offering, this report must document the distribution of the municipal energy manager grant offering between electric and gas Program Administrators. In addition, the report must provide support

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[76] Additionally, the Department is concerned that Eversource and National Grid marketed this new offering, collected applications, and may have already awarded the grant funds prior to Department approval of the offering (Tr. 1, at 110-111; Statewide Plan, Exh. 1, at 31).

for all salary and other costs covered by the municipal energy manager grant. Further, Eversource and National Grid must analyze the projected cost-effectiveness of the municipal energy manager grant before offering any future rounds of funding. Finally, to the extent that this program results in an energy manager in a community served by a municipal aggregation, the Program Administrators must ensure that energy efficiency funds are not being used to improperly subsidize any services provided by the energy manager to the municipal aggregation program. See Municipal Aggregation Guidelines, D.P.U. 23-67-A, Guidelines § IV.B.3.a.iii (2024) (municipal aggregation program funds may only be used specifically for the benefit of the municipal aggregation program). To the extent a municipality employs an energy manager to work on both municipal aggregation program matters and energy efficiency-related matters, that individual's salary must be allocated between each funding source in proportion to the time devoted to each pursuit.

4. Evaluation, Measurement, and Verification

EM&V is the systematic collection and analysis of information to document the impact and effect of energy efficiency programs, in terms of costs and benefits, and to improve their effectiveness. 2022-2024 Three-Year Plans Order, at 137; 2019-2021 Three-Year Plans Order, at 35; 2016-2018 Three Year Plans Order, at 30; 2013-2015 Three-Year Plans Order, at 58; 2010-2012 Electric Three-Year Plans Order, at 125. The Department's Guidelines require each Three-Year Plan to include an evaluation plan that describes how the Program Administrators will evaluate the energy efficiency programs during the term. Guidelines § 3.5.2; see also, G.L. c. 25, § 21(b)(2); 2022-2024 Three Year Plans Order, at 137. The Program Administrators propose a budget of $66.6 million to fund statewide Evaluation and Market Research activities,

including $47 million for EM&V studies, during the Three-Year Plan term (Statewide Plan, Exh. 1, App. C (Rev.) – Statewide, Table IV.C). The Program Administrators' proposed EM&V framework includes the following elements: (1) four EM&V research areas (residential, C&I, active demand, and special and cross cutting); and (2) nine types of EM&V studies (impact evaluations, net to gross studies, baseline studies, measure life studies, non-energy impact studies, cost studies, market effects evaluations, market characterization studies, and process evaluations) (Statewide Plan, Exh. 1, at 266-268). In addition, the Program Administrators have created a strategic evaluation plan to identify evaluation priorities for the upcoming term and the Evaluation Management Committee will provide oversight of the EM&V activities (Statewide Plan, Exh. 1, at 266, 270-271).

As described above, the proposed Three-Year Plans are designed to support the installation of heat pumps in approximately 119,000 households, including over 23,000 low-and moderate-income households and more than 15,000 rental units (Statewide Plan, Exh. 1, at 3). Given the magnitude of these numbers, it is surprising that the Program Administrators were unable to find any existing studies that address customer price sensitivity to heat pump rebates or incentives, or that consider price elasticity of demand for heat pumps (Tr. 1, at 80). Given uncertainty around the effect of incentives on customer heat pump installation costs, the Attorney General recommends that the Program Administrators be required to study the impact of heat pump incentives (Attorney General Brief at 7).

The Three-Year Plans make electrification and heat pumps a cornerstone for achieving planned GHG emissions reductions (Statewide Plan, Exh. 1, at 7). In addition, the Program Administrators seek flexibility to adjust heat pump incentives over the course of the Three-Year

Plan term (Statewide Plan, Exh. 1, at 133, 136, 310). Finally, the Program Administrators are attempting to achieve market transformation for heat pumps (Statewide Plan, Exh. 1, at 164). For these reasons, the Department finds that it is necessary for the Program Administrators to gather more information to ensure program incentive levels for electrification measures are well targeted and do but not exceed what is needed to drive customer electrification.

The Program Administrators shall conduct an expedited market research and evaluation study to gather information on: (1) customer price sensitivity to heat pump incentives; (2) the minimum Mass Save incentive levels needed to drive electrification among various customer groups; (3) any evidence of program-induced effects on the price of heat pumps in Massachusetts; and (4) any other factors that can reduce heat pump equipment and installation costs and program incentives needed to convince customers to install heat pumps and use them for heating. The Program Administrators shall submit this study to the Department by April 1, 2026, together with any corresponding recommendations regarding adjustments to heat pump program incentives. The Department recognizes that minimum incentive levels may change as the market transforms and, therefore, the study should be designed to be conducted as efficiently as possible, with a narrowly defined scope and replicable method so that the study can be updated in future years.

In addition, the Department acknowledges the concerns of the New England Geothermal Professional Association ("NEGPA") regarding the limited data from Massachusetts regarding the operation and efficiency of ground source heat pumps in Massachusetts (Tr. C at 29-37). The Department directs the Program Administrators to work with NEGPA to gather and report

available data on ground source heat pump operations, performance, and efficiency in Massachusetts.

The Program Administrators maintain that EM&V will support market transformation initiatives, where appropriate, through tracking, measuring, and evaluating: (1) interim and long-term indicators of market penetration; and (2) structural changes, program attribution, and cumulative energy impacts over a longer term (Statewide Plan, Exh. 1, at 267-268). Therefore, the Program Administrators shall track sales data and heat pump pricing trends as part of their efforts to monitor market transformation. The Program Administrators shall include a summary of these data and findings in each Annual Report filed in the Three-Year Plan term and as part of their 2028-2030 Three-Year Plan filing.

The Program Administrators have demonstrated that their proposed EM&V framework is appropriate in terms of funding, scope, oversight, and planning (Statewide Plan, Exh. 1, at 264-271, App. S). Accordingly, the Department finds that the proposed EM&V framework is consistent with the Green Communities Act, Department precedent, and Guidelines. G.L. c. 25, § 21(b)(2); Guidelines § 3.5. Finally, because the Program Administrators have shown that EM&V efforts often apply to multiple programs, the Department approves the Program Administrators' proposal to allocate EM&V costs to a single line item under the hard-to-measure category (Statewide Plan, Exh. 1, at 268, App. C (Rev.)) – Statewide, Table IV.C).

5. Potential Studies

In 2022-2024 Three Year Plans Order, at 139, the Department directed the Program Administrators to conduct a service area-specific potential study using common definitions for the various levels of achievable potential and to implement GHG emissions reduction analyses.

In addition, the Department directed the Program Administrators to specifically consider service area-specific top-down GHG emissions reduction potential in setting their individual plan goals. 2022-2024 Three Year Plans Order, at 139.

The Program Administrators explain that each individual Program Administrator is responsible for its individual bottom-up planning process (Exh. AG-Comm 1-3). This process includes a multitude of data points, including the potential study, that help determine planning levels for each Program Administrator (Exh. AG-Comm 1-3). The Program Administrators maintain that their potential study helped them to identify which areas/sectors were likely to have greater potential to contribute toward a particular goal (Exh. AG-Comm 1-3). Therefore, the Department finds that each Program Administrator conducted an energy efficiency potential study consistent with the Department's directives (Statewide Plan, Exh. 1, 56-57, App. N).

Regarding future potential studies, the Program Administrators maintain that the landscape of energy efficiency has shifted significantly during the last two Three-Year Plan terms, especially regarding the statutorily assigned GHG emissions reductions target (Exh. DPU-Comm 23-4). In addition, while the potential study did help them identify which sectors were likely to have the greater potential to contribute toward the GHG goal, the Program Administrators cannot speak to how or whether the potential study influenced the EEA Secretary's goal setting (Exh. AG-Comm 1-3).

The Attorney General recommends that for the 2028-2030 Three-Year Plan term, the Department require the Program Administrators to discuss priorities with the Council and secure Council approval for the study scope prior to commencing the potential studies (Attorney General Brief at 26). DOER agrees with the Attorney General and further recommends that the

Program Administrators conduct only one statewide potential study to reduce costs (DOER Reply Brief at 4-5). The Program Administrators argue that requiring Council approval of the scope of work of such studies would inappropriately infringe on the Program Administrators' ability to contract with study vendors (Program Administrators Reply Brief at 8).

The Department recognizes the significant changes to the focus and scope of the Three-Year Plans in recent years, as well as the Program Administrators' shift to market transformation activities, with a goal of long-term, permanent changes in the adoption of decarbonization measures (Statewide Plan, Exh. 1, App. S at 16). Further, the Program Administrators admitted that, while potential studies are a helpful tool in some regards, a rapidly changing market makes it difficult to predict achievable uptake of new measures (Exh. DPU-Comm 23-4).

Potential studies, which were an important part of the planning process under a resource acquisition framework, are now less predictive and, therefore, less useful under a market transformation framework. Further, it is not clear how the EEA Secretary intends to use potential studies to set the future GHG emissions reduction or savings goals. The Department is not persuaded by DOER's and the Attorney General's recommendation to delegate the scope of potential studies to the Council as this will not address the increasing importance of market transformation activities and the uncertainty around achievable measure uptake in the current market. However, to reduce costs, the Department finds that it is appropriate for the Program Administrators to conduct one statewide potential study prior to submitting their next Three-Year Plans.

E. Conclusion

For the reasons described above, the Department finds that the Program Administrators' Three-Year Plan goals are consistent with the achievement of all available cost-effective energy efficiency. Further, the Department finds that the Program Administrators have appropriately incorporated strategic enhancements to the residential, low-income, and C&I programs that are designed to incorporate new technologies and address various barriers to participation in energy efficiency programs. Finally, the Department supports the Program Administrators' strategies to better reach underserved populations including renters and landlords, low- and moderate-income customers, and LOTE customers.

IV. ADMINISTRATIVE COSTS, COMPETITIVE PROCUREMENT, AND LOW-INCOME ALLOCATION

A. Introduction

In reviewing the Three-Year Plans, the Department is charged with ensuring that the Program Administrators have: (1) minimized administrative costs to the fullest extent practicable; and (2) used competitive procurement processes to the fullest extent practicable. G.L. c. 25, §§ 19(a), (b); Guidelines §§ 3.3.5, 3.3.6. Program Administrators must report program planning and administration ("l") expenditures categorized by: (1) internal costs; (2) external legal services; (3) assessments; (4) vendor services; and (5) sponsorships and subscriptions. D.P.U. 20-150-A at 11; Guidelines § 3.3.3(a). In addition, each Program Administrator must demonstrate that it has allocated at least ten percent of the funds for electric energy efficiency programs and 20 percent of the funds for gas energy efficiency programs to the low-income sector. G.L. c. 25, § 19(c).

B. Program Administrators Proposal

1. Minimization of Administrative Costs

The Program Administrators propose to spend an average of 4.8 percent of their total energy efficiency expenditures on PP&A over the three-year term (Statewide Plan, Exh. 1, App. C, Statewide Table (Rev.)).[77] Each Program Administrator presents its PP&A costs as a percentage of total program expenditures for 2025 through 2027 in Program Administrator-specific data tables (see, e.g., Exh. NSTAR Electric-4 (Rev.), Table IV.C.2.2).

The electric and gas Program Administrators indicate that their proposed administrative costs as percentage of total energy efficiency expenditures have increased by 3.4 percent and 3.7 percent, respectively, since the last Three-Year Plan term for various reasons including: (1) inflation; (2) higher Council and DOER assessments; (3) greater regulatory costs associated with new statutory mandates, including decarbonization; and (4) additional statewide data reporting requirements (see, e.g., Exh. NG-Gas-2, at 20; Statewide Plan, Exh. 1, App. C, Statewide Table (Rev.)). The Program Administrators state that they have undertaken various strategies to minimize administrative costs, including: (1) statewide collaboration and coordination; (2) the development of templates and key performance indicators ("KPIs") to report data to stakeholders and the public more efficiently;[78] and (3) coordination with DOER to

[77] Each Program Administrator presents its PP&A costs as a percentage of the total Program Administrator budget for the 2025-2027 Three-Year Plan term (see, e.g., Exh. NSTAR Electric-4 (Rev.), Table IV.C.2.2).

[78] KPIs are intended to reduce the administrative burden and cost of responding to *ad hoc* data requests from Council members and consultants. The Program Administrators state that they developed the proposed KPIs for the 2025-2027 Three-Year Plan term with a goal of further optimizing data collection and reporting (see, e.g., Exh. NG-Gas-2, at 65-67). The proposed KPIs are addressed in Section VIII, below.

address requests for information from interested parties (see, e.g., Exh. NG-Gas-2, at 19-21). In addition, the Program Administrators state that they have continued to apply the best practices identified in the Department-required administrative costs study ("PP&A Study Report") filed with the 2019-2021 Three-Year Plans, including: (1) improving consistency in accounting practices; (2) adhering to best practices for cost accounting; and (3) stress testing processes and spending (see, e.g., Exh. NG-Gas-2, at 19-21).

2. Competitive Procurement

The Program Administrators intend to competitively procure the services of contractors and vendors to perform various activities during the Three-Year Plan term including: (1) assessment delivery; (2) quality control; (3) rebate processing; (4) monitoring and evaluation; (5) potential studies; and (6) marketing (Statewide Plan, Exh. 1, at 309). The Program Administrators state that competitive procurement will minimize program costs while ensuring that contractors and vendors have adequate capacity to deliver program services in a cost-effective manner (Statewide Plan, Exh. 1, at 10, 108-109, 306, 309). The Program Administrators propose to ensure the transparency of the bidding process and selection criteria used to evaluate proposals from prospective contractors (Statewide Plan, Exh. 1, at 309).

3. Low-Income Program Budgets

Each Program Administrator included a table in its Three-Year Plan showing the percentage of its proposed energy efficiency program budget allocated to low-income programs (see, e.g., Exh. NSTAR Electric-4, Table IV.C (Rev.)). The electric Program Administrators project that they will spend an average of 22.3 percent of the total energy efficiency program budget on low-income programs over the Three-Year Plan term (Statewide Plan, Exh. 1, App. C

– Electric, Table IV.C (Rev.)). The gas Program Administrators project that they will spend an average of 25.7 percent of the total energy efficiency program budget on low-income programs over the Three-Year Plan term (Statewide Plan, Exh. 1, App. C – Gas, Table IV.C (Rev.)). Each individual gas and electric Program Administrator projects that it will meet or exceed the applicable statutory minimum for low-income spending over the 2025-2027 Three-Year Plan term (Statewide Plan, Exh. 1, at 154; see, e.g., Exh. NSTAR-Electric-2, at 8).

C. Positions of the Parties

1. Minimization of Administrative Costs

a. Program Administrators

The Program Administrators argue that they have taken all appropriate steps to minimize administrative costs to the fullest extent practicable as required by statute (Program Administrators Brief at 47-51, citing Statewide Plan, Exh. 1, at 306-309; Exh. 2, at B.1, B.9). In particular, the Program Administrators assert that their continued participation in a statewide collaborative process will achieve economies of scale and lower administrative costs for each Program Administrator (Program Administrators Brief at 48, citing Statewide Plan, Exh. 1, at 307; Exhs. DPU-Comm 8-10; DPU-Comm 18-2). In addition, the Program Administrators assert that they will minimize data reporting costs by: (1) using uniform reporting templates; (2) relying on KPIs; (3) posting performance and program data on the Mass Save Data platform; and (4) working with DOER and the Council to efficiently address stakeholder data requests (Program Administrators Brief at 48-49). Finally, the Program Administrators maintain that they will continue to apply the best practices for minimizing administrative costs identified in the PP&A Study Report, including use of: (1) consistent accounting practices; (2) coordinated

cost-allocation practices; (3) detailed cost reviews; and (4) coordinated process and spending reviews (Program Administrators Brief at 50-51, citing Statewide Plan, Exh. 1, at 308-309).

b. Attorney General

The Attorney General supports the proposed Three-Year Plans but argues that given the estimated cost and potential for budget increases during the 2025-2027 Three-Year Plan term, additional cost control measures are needed (Attorney General Brief at 4-7).[79] In addition, in response to LEAN's claim that the low-income program has the lowest administrative cost-to-incentive ratio of the customer sectors, the Attorney General maintains that the low-income program is also the only sector which covers all installation costs, leading to a relatively low ratio of administrative costs to incentive costs (Attorney General Reply Brief at 12, citing LEAN Brief at 8, Exh. AG-LN-1, at 21).

c. Department of Energy Resources

DOER argues that the Program Administrators have and will rely on a collaborative process in their planning, delivery, evaluation, and review of the Three-Year Plans to reduce administrative costs to the fullest extent practicable (DOER Brief at 13). In this regard, DOER expresses its appreciation for the Program Administrators' continued collaboration with it and the Attorney General to implement cost savings and efficiencies, such as a new working group to reduce HEAT Loan costs (DOER Brief at 14).

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[79] The Attorney General's arguments with respect to specific cost control measures are summarized elsewhere in this Order: (1) with regard to administrative costs generally, in Section III, above; and (2) with regard to certain proposed modifications to mid-term modification requirements, in part to minimize administrative costs, in Section X, below (Attorney General Brief at 4, citing Exh. AG-LN-1, at 48; 18-19).

d. Low Income Energy Affordability Network

LEAN asserts that the low-income administrative costs, as a ratio of program costs, is the lowest of the three sectors (LEAN Brief at 8). LEAN argues that because low-income administrative costs are already low, the Attorney General's proposal to reduce them further would be unjust to low-income households (LEAN Brief at 9).

2. Competitive Procurement

The Program Administrators assert that they intend to competitively procure a wide range of services during the Three-Year Plan term (e.g., assessment delivery, quality control, rebate processing, monitoring and evaluation, potential studies, and marketing) (Program Administrators Brief at 55, citing Statewide Plan, Exh. 1, at 309). The Program Administrators argue that the competitive procurement of these services will ensure that they are procured in a manner that lowers costs for customers while maximizing the benefits of the investments (Program Administrators Brief at 55, citing Statewide Plan, Exh. 1, at 309). In addition, the Program Administrators maintain that through a transparent, competitive procurement process, they will expand the pool of qualified vendors and promote supplier diversity (Program Administrators Brief at 55, citing Statewide Plan, Exh. 1, at 309). No other party addressed this issue on brief.

3. Low-Income Program Budgets

The Program Administrators assert that they each have proposed a low-income program budget that meets or exceeds the applicable statutory minimums over the Three-Year Plan term (Program Administrators Brief at 55-56, citing, Statewide Plan, Exh. 1, at 154; G.L. c. 25, § 19(c)). In particular, they argue that the electric Program Administrators have appropriately

allocated approximately 22 percent of their total budgets to low-income programs and the gas Program Administrators have appropriately allocated approximately 25 percent of their total budgets to low-income programs (Program Administrators Brief at 55, citing Statewide Plan, Exh. 1, Apps. C (Rev.)). In addition, the Program Administrators maintain that they will work collaboratively with LEAN to capture all available cost-effective energy efficiency in the low-income sector (Program Administrators Brief at 55-56, citing Statewide Plan, Exh. 1, at 154). No other party addressed this issue on brief.

D. Analysis and Findings

1. Minimization of Administrative Costs

Consistent with Guidelines § 3.3.5, each Program Administrator has included in its proposed Three-Year Plan a description and supporting documentation of the steps it has taken to minimize administrative costs to the fullest extent practicable (Statewide Plan, Exh. 1, at 306-309; see, e.g., Exh. FGE-2 at 14-25). In particular, the Program Administrators have employed several strategies to minimize costs including: (1) extensive collaboration among Program Administrators to achieve economies of scale; and (2) the expanded use of reporting templates and KPIs (Statewide Plan, Exh. 1, at 307; Exhs. DPU-Comm 8-10; DPU-Comm 18-2). Despite these efforts, the Program Administrators project that their PP&A costs will increase to 4.8 percent of total energy efficiency expenditures over the Three-Year Plan term, up from 3.4 percent and 3.7 percent of total electric and gas energy efficiency expenditures, respectively, over the prior Three-Year Plan term (Statewide Plan, Exh. 1, App. C, Statewide Table (Rev.)). 2022-2024 Three-Year Plans Order, at 141. The Program Administrators contend that the increase in administrative costs is driven by factors largely beyond their control, including:

(1) inflation; (2) higher costs for Council and DOER assessments; (3) statutory changes leading to increased regulatory costs; and (4) expanded data reporting requirements (see, e.g., Exh. NG-Gas-2, at 20).

Between January 2022 (when the Department approved the 2022-2024 Three-Year Plans) and January 2025, inflation rose by 13 percent as measured by the Consumer Price Index.[80] In addition, over this same period, the Program Administrators' total costs for DOER and Council assessments have grown by over 54 percent (see Energy Efficiency Advisory Council, D.P.U. 22-14, Letter Order at 1 (October 31, 2022); Energy Efficiency Advisory Council, D.P.U. 24-30, Letter Order at 1 (June 3, 2024)). The Department finds that these factors, which indirectly and directly drive administrative cost increases, are beyond the Program Administrators' control. In addition, we find that recent changes to the Green Communities Act[81] have increased the scope and complexity of the Three-Year Plans. As the Program Administrators correctly note, such changes will add administrative costs to both develop and successfully implement the Three-Year Plans in areas such as data reporting to monitor progress on a variety of goals, including GHG emissions reductions, equity investments, supplier diversity, and language access (see, e.g., Exh. NG-Gas-2, at 20).

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80 U.S. Bureau of Labor Statistics, *CPI Inflation Calculator*, https://www.bls.gov/data/inflation_calculator.htm (last accessed February 13, 2025).

81 Green Communities Act, St. 2008, c. 169, codified at G.L. c. 25, §§ 19, 21-22, as amended by the Energy Act of 2012, St. 2012, c. 209; by the Energy Act of 2018, St. 2018, c. 227; by 2021 Climate Act, St. 2021, c. 8; by 2022 Clean Energy Act, St. 2022, G.L. c. 25 §§ 19-22.

No intervenors raised concerns about the Program Administrators' projected level of administrative costs (see, e.g., DOER Brief at 13). After review, the Department finds that each Program Administrator's Three-Year Plan is designed to minimize administrative costs to the fullest extent practicable as required by G.L. c. 25, §§ 19(a), (b) (Statewide Plan, Exh. 1, at 306-309; App. C, Statewide Table (Rev.); Exhs. DPU-Comm 8-10; DPU-Comm 18-2; see, e.g., NSTAR-Electric-2, at 14-17, 19-22, and 32-36). The Program Administrators shall continue to take all reasonable steps to minimize administrative costs during the Three-Year Plan term. In addition, the Department will continue to closely monitor the administrative cost metrics included in the Program Administrators' Annual Reports and Term Reports to determine whether the development of additional benchmarks to quantify the minimization of administrative costs is appropriate.[82]

2. Competitive Procurement

Each Program Administrator must demonstrate that it has used competitive procurement processes to the fullest extent practicable. G.L. c. 25, §§ 19(a), (b). The Department has consistently found that competitive procurement serves as a means of cost containment and provides an essential objective benchmark for the reasonableness of costs. 2022-2024 Three-Year Plans Order, at 153. In addition, competitive procurement keeps a consultant or an attorney with an established relationship with a company from taking that relationship for granted. 2013-2015 Three-Year Plans Order, at 152, citing Bay State Gas

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[82] The following information regarding administrative costs is included in the Program Administrators' Annual Reports and Term Reports: (1) PP&A costs versus energy savings; (2) PP&A spending as a proportion of total spend; and (3) variance between planned and actual PP&A costs (see Exh. AG-Comm 1-8).

Company, D.P.U. 12-25, at 186 (2012); Fitchburg Gas and Electric Light Company, D.P.U. 11-01/11-02, at 236 (2011); New England Gas Company, D.P.U. 10-114, at 221 (2011).

For the 2025-2027 Three-Year Plan term, each Program Administrator has competitively procured a percentage of its program activities (ranging from 15 percent for low-income activities to 85 percent for residential services) (see, e.g., Exhs. EGMA-4, Table V.D.1 (Rev.); FGE-Gas-4, Table V.D.1 (Rev.)). These percentages are generally consistent with the level of competitive procurement in the 2022-2024 Three-Year Plans (see, e.g., Exhs. EGMA-4, Table V.D.3 (Rev.); FGE-Gas-4, Table V.D.3 (Rev.)). Where competitive procurements were used, the Program Administrators have demonstrated that they were done in a manner designed to minimize costs to ratepayers (Statewide Plan, Exh. 1, at 309).

There are limited areas where the Program Administrators have decided not to employ competitive procurements to engage third-party services, including: (1) services requiring special expertise, knowledge, or complexity; (2) services subject to unique statutory requirements;[83] and (3) situations where competitive procurements are cost-prohibitive (Exh. DPU-Comm 18-4). The Department will refrain at this time from making any substantive findings on the reasonableness of the Program Administrators' decision not to competitively procure such services in this Order. Instead, at the time final cost recovery is sought, each Program Administrator will be required to present clear evidence showing cost containment and reasonableness of costs. 2022-2024 Three-Year Plans Order, at 154.

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[83] For example, pursuant to G.L. c. 25 § 19(c), certain low-income energy efficiency program services must be provided by LEAN.

Based on our review of the evidence presented, the Department finds that each Program Administrator's proposed Three-Year Plan is designed to use competitive procurement processes to the fullest extent practicable, consistent with the requirements of G.L. c. 25, §§ 19(a), (b) (see, e.g., Exhs. EGMA-4, Table V.D.1 (Rev.)). The Department encourages the Program Administrators to continue refining their procurement strategies to maximize competitive procurement, thereby reducing costs over the Three-Year Plan term.

3. Low-Income Program Budgets

As shown in the Program Administrator Budgets, each Program Administrator proposes a low-income program budget that meets or exceeds the statutory minimums over the Three-Year Plan term (see, e.g., Exh. NSTAR Electric-4, Table IV.C.1 (Rev.) at 7). Accordingly, the Department finds that each Program Administrator has satisfied the low-income budget requirements of G.L. c. 25, § 19(c).

E. Conclusion

Based on our review, the Department finds that each Program Administrator's 2025-2027 Three-Year Plan is designed to minimize administrative costs and use competitive procurement processes to the fullest extent practicable in compliance with G.L. c. 25, §§ 19(a), (b) and Guidelines §§ 3.3.5, 3.3.6. In each area where a Program Administrator has not competitively procured outside services, prior to final recovery, it will be required to present clear evidence demonstrating: (1) cost containment; and (2) that the cost of such services is reasonable. Finally, the Department finds that each electric and gas Program Administrator has planned to spend at least ten percent or 20 percent, respectively, of its proposed energy efficiency program

budget on low-income demand-side management and education programs over the Three-Year Plans term, in compliance with G.L. c. 25, § 19(c).

V. COST EFFECTIVENESS

A. Introduction

The Department is required to review the Three-Year Plans for cost effectiveness. G.L. c. 25, § 21(b)(3). This review ensures that the Three-Year Plans are designed to capture energy savings and other benefits with values greater than costs. G.L. c. 25, § 21(b)(3). Pursuant to the Green Communities Act, for the purpose of cost-effectiveness review, programs are aggregated by sector. G.L. c. 25, § 21(b)(3). The Department also requires the Program Administrators to report cost effectiveness at the program and core initiative level. D.P.U. 20-150-A at 6; 2022-2024 Three-Year Plans Order, at 156; 2021-2019 Three-Year Plans Order, at 74.

The Department evaluates cost effectiveness using the total resource cost ("TRC") test, which includes all benefits and costs associated with the energy system and program participants. Guidelines § 3.4.3. The TRC test includes the calculation of projected benefits derived from avoided resource costs[84] and non-energy impacts ("NEIs"), which are quantifiable impacts of energy efficiency beyond the energy savings gained from installing energy-efficient measures.[85]

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[84] Avoided resource costs include: (1) avoided energy costs; (2) avoided capacity costs; (3) avoided transmission and distribution costs; and (4) the effects of energy use on energy market prices. Guidelines § 3.4.4.

[85] For example, NEIs include: (1) reduced operations and maintenance ("O&M") costs; (2) longer equipment replacement cycles and productivity improvements; (3) reduced health costs; and (4) other measurable benefits associated with the installation of the energy efficiency measure. Guidelines § 3.4.4.

Guidelines § 3.4.4. When determining cost effectiveness, the calculation of benefits must include the social value of GHG emissions reductions, except in cases of conversions from fossil fuel heating and cooling to fossil fuel heating and cooling. G.L. c. 25, §§ 19, 21(b)(1), 21(b)(3); D.P.U. 20-150-A at 7; Guidelines § 3.4.4.

Finally, the Department has endorsed the Avoided Energy Supply Components in the New England ("AESC Study") group process[86] as key to producing reliable avoided cost values to include in the Three-Year Plans. 2022-2024 Three-Year Plans Order, at 26-27; 2019-2021 Three-Year Plans Order, at 68. The avoided costs form the basis of the benefits used in the Three-Year Plans and the assessment of cost-effectiveness. 2022-2024 Three-Year Plans Order, at 27.

B. Program Administrators Proposal

1. Social Value of GHG Emissions Reductions

The Program Administrators propose to use $415 per short ton of carbon dioxide equivalent ("CO_2e") as the social value of GHG emissions reductions, which is the high end of the range recommended in the 2024 AESC Study[87] (Statewide Plan, Exh. 1, at 53; Apps. H at 32-33; V at 3; see, e.g., Exhs. NG-Gas-2, at 156; DPU-Comm 12-5). The Program Administrators applied this social value of GHG emissions reductions to screen the cost

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86 The AESC Study provides an assessment of avoided electricity, natural gas, and delivered fuel costs using a model that simulates the operation of the New England wholesale energy and capacity markets. The AESC Study is conducted on a three-year cycle. 2022-2024 Three-Year Plans Order, at 157 n.109.

87 The 2024 AESC Study was completed on February 7, 2024, and later amended on May 24, 2024 (Statewide Plan, Exh. 1, at 65; Exh. DPU-Comm 14-2, Att.).

effectiveness of all measures, except for fossil fuel systems (see, e.g., Exhs. NG-Gas-2, at 157; DPU-Comm 12-5). Finally, the Program Administrators did not apply the marginal abatement cost of carbon emissions to any measures in the benefit-cost models to avoid double counting the benefits of avoided emissions (see e.g., Exhs. NG-Gas-2, at 157; DPU-Comm 12-5).

2. Cost-Effectiveness Screening

The Program Administrators propose to apply two new benefits quantified in the 2024 AESC Study to screen cost effectiveness in the Three-Year Plans. Specifically, the Program Administrators propose to include: (1) the value of reducing winter peak electricity demand after the grid is forecast to shift to a winter peaking system;[88] and (2) the value of avoiding GHG emissions from wood fuels[89] (see, e.g., Exh. NG-Gas-2, at 154-155).

In addition, the Program Administrators propose to exclude the societal consequences of state and federal tax credits for energy efficiency equipment from the TRC test (Statewide Plan,

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[88] For the core AESC modeling scenario adopted by the Program Administrators, the identified value for winter electric demand reductions begins in 2047 as the annual peak demand of the New England bulk power system shifts from summer peaking to winter peaking (see, e.g., Exh. NG-Electric-2, at 156-157). In the separate Electric Sector Modernization Plan proceedings, Unitil, Eversource, and National Grid forecast that the shift to a winter peaking system will occur in Massachusetts in 2033, 2035, and 2036, respectively. Electric Sector Modernization Plans, D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12 (August 29, 2024) at 21, 25; D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 12; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 389; D.P.U. 24-12 Exhibit UN-ESMP-1 (Corrected) at 211-212.

[89] The 2024 AESC Study presents two options for valuing GHG emissions reductions from wood fuels: (1) a zero value, as in past studies; or (2) a value based on the direct emissions from burning wood, irrespective of the lifecycle of the wood (see, e.g., Exh. NG-Gas-2, at 155). After consultation with the Council regarding the Commonwealth's accounting for wood emissions, the Program Administrators propose to use a value based on direct emissions from burning wood in benefit-cost models (see e.g., Exh. NG-Gas-2, at 155).

Exh. 1, at 63). Similarly, the Program Administrators propose to exclude other types of subsidies from the TRC test for specific projects (Statewide Plan, Exh. 1, at 63).[90] These subsidies include: (1) government and foundation grants; (2) federal, state, and municipal economic development funds; (3) environmental impact or improvement program funds; and (4) other incentive payments to the extent that they are not exclusively customer-funded (Statewide Plan, Exh. 1, at 63).

The Program Administrators propose to remove certain non-controllable costs[91] from the cost-effectiveness calculation at the sector level (Statewide Plan, Exh. 1, at 64; see, e.g., Exh. NG-Gas-2, at 167-168). The Program Administrators provide alternative cost-effectiveness calculations, both including and excluding these non-controllable costs at the program and sector level (Statewide Plan, Exh. 1, App. C, Table IV.D.1; see, e.g., Exh. NG-Gas-4, Table IV.D.1).

Further, the Program Administrators propose to apply to moderate-income qualified measures the same NEIs historically applied to low-income qualified measures (Statewide Plan, Exh. 1, at 65-66).[92] Specifically, the Program Administrators propose to apply the following NEIs to moderate-income qualified measures: (1) health benefits such as reduced asthma

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90 The Program Administrators will incorporate these subsidies when calculating the net cost of efficiency equipment for participants (Statewide Plan, Exh. 1, at 63).

91 Specifically, the Program Administrators propose to exclude costs associated with the following assessments: (1) DOER assessment; (2) DOER/Attorney General consultant expenses; and (3) Massachusetts Clean Energy Center ("MassCEC") workforce development assessment (Statewide Plan, Exh. 1, at 64; see, e.g., Exh. NG-Gas-2, at 167-168).

92 The Program Administrators will not apply to moderate-income eligible measures NEIs specific to low-income discount rates (Statewide Plan, Exh. 1, at 65-66).

symptoms; (2) reduced cold-related thermal stress; (3) reduced heat-related thermal stress; (4) fewer missed workdays; (5) improved safety; (6) increase in total home comfort home and property durability; (7) noise reduction; (8) home productivity; (9) rental unit marketability; and (10) reduced tenant complaints (Exh. DPU-Comm 1-1).

Finally, for the purpose of net present value calculations, the Program Administrators propose to use a discount rate that is equal to the three-year average of the historic yields from the ten-year U.S. Treasury note (see, e.g., Exh. NG-Gas-2, at 168-169). This proposed method differs from the method specified in the Guidelines, which requires benefits and costs that are projected to occur over the Three-Year Plan term to be stated in present value terms using a discount rate that is equal to a twelve-month average of the historic yields from the ten-year U.S. Treasury note, using the previous calendar year to determine the twelve-month average. Guidelines § 3.4.6.

C. Positions of the Parties

1. Program Administrators

a. Social Value of GHG Emissions Reductions

The Program Administrators argue that they appropriately incorporated the social value of GHG emissions reductions when determining cost effectiveness of their proposed energy efficiency programs (Program Administrator Brief at 36, citing G.L. c. 25, § 19). The Program Administrators further maintain that their proposed Three-Year Plans appropriately include the calculation of benefits related to the social value of GHG emissions reductions, except in the cases of conversions from fossil fuel heating and cooling to fossil fuel heating and cooling as mandated by statute (Program Administrator Brief at 61-62, citing G.L. c. 25, § 21(b)(3)).

b. Cost-Effectiveness Screening

The Program Administrators assert that they have complied with all cost-effectiveness screening requirements in developing the Three-Year Plans. Further, they argue that, based on projected benefits and costs, each Three-Year Plan is cost effective (Program Administrators Brief at 37-44).

The Program Administrators argue that their proposal to exclude assessment costs from cost-effectiveness screening is appropriate because these costs do not have any associated savings and are beyond their control. The Program Administrators further argue that to the extent these mandatory assessment costs threaten cost effectiveness at the sector level, they would be forced to cut savings-generating costs to maintain cost effectiveness (Program Administrator Brief at 41-42, citing Exh. 2, at D.24; Guidelines § 3.4.3.2).

In addition, the Program Administrators argue that the method specified in Guidelines § 3.4.6 to derive the discount rate for net present value calculations results in a discount rate that may not be representative across the Three-Year Plan term due to recent market volatility (Program Administrators Brief at 43). Conversely, the Program Administrators argue that their proposal to use a discount rate equal to the three-year average is appropriate to alleviate impacts of short-term interest rate volatility and is consistent with the method used in the 2022-2024 Three-Year Plan term (Program Administrators Brief at 43).

Finally, the Program Administrators argue that their proposal to include low-income NEIs in cost-effectiveness analyses for moderate-income customers is reasonable. According to the Program Administrators, energy burdens experienced by moderate-income households are similar to (or higher than) energy burdens experienced by low-income households. Further, the

Program Administrators maintain that the proposed NEIs are properly supported by evaluation studies (Program Administrators Brief at 39-40, citing Statewide Plan, Exh. 1, at 65-66).

2. Attorney General

The Attorney General supports the inclusion of the value of GHG emissions reductions in the calculation of energy efficiency benefits and does not challenge the Program Administrators' calculation of such benefits in the Three-Year Plans (Attorney General Brief at 6). In addition, the Attorney General supports the Program Administrators' proposal to remove the DOER assessment, DOER/Attorney General consultant expenses, and MassCEC workforce development assessment from the sector-level cost-effectiveness calculation because she argues that these costs are not "controllable" by the Program Administrators (Attorney General Brief at 25-26). Further, the Attorney General argues that such costs should also be excluded from the value component of the performance incentive mechanism (Attorney General Brief at 26).[93]

3. Department of Energy Resources

DOER argues that the Program Administrators' proposal to include NEIs as a program benefit when calculating the cost effectiveness of moderate-income measures is appropriate because moderate-income households: (1) have only marginally higher incomes than low-income households; (2) do not benefit from the financial assistance programs available to low-income customers; and (3) experience significant energy burdens associated with maintaining adequate indoor temperatures to preserve health (DOER Reply Brief at 5-6). In

[93] Nonetheless, the Attorney General maintains that these costs should continue to be included in portfolio-level calculations to provide a full accounting of energy efficiency costs and benefits (Attorney General Brief at 26).

addition, DOER notes that the Program Administrators currently include these NEIs as a benefit when calculating the cost effectiveness of low-income measures (DOER Reply Brief at 6).

D. Analysis and Findings

1. Introduction

The Department is required to review all energy efficiency programs contained in the Three-Year Plans for cost effectiveness. G.L. c. 25, § 21(b)(3). This review ensures that programs are designed to capture energy savings and other benefits with values greater than costs. G.L. c. 25, § 21(b)(3). Under the Green Communities Act, as amended, for the purpose of cost-effectiveness review, programs are aggregated by sector. G.L. c. 25, § 21(b)(3). Any sector with a benefit-cost ratio ("BCR") greater than one (indicating benefits are greater than costs) is considered cost-effective. G.L. c. 25, § 21(b)(3). If a sector fails cost-effectiveness screening, its component programs shall either be modified so that the sector meets the test or the component programs are terminated. G.L. c. 25, § 21(b)(3).

The Department evaluates cost effectiveness using the TRC test, which includes all benefits and costs associated with the energy system and program participants. Guidelines § 3.4.3. The benefits calculations in the TRC test include the cost of energy supply that is avoided when energy efficiency efforts are used and, therefore, the TRC test satisfies the requirement that energy efficiency programs be less expensive than supply. D.P.U. 08-50-A at 14-15.

A program or sector is cost-effective if the cumulative present value of its benefits is equal to or greater than the cumulative present value of its costs.[94] Guidelines § 3.4.3.1. If a program or core initiative is not projected to be cost-effective, the Program Administrator is not barred from implementing the program but is required to provide further documentation and explanation of how the program is a prudent use of ratepayer funds and how the Program Administrator intends to achieve cost-effective programs and core initiatives going forward. D.P.U. 20-150-A at 6.

The 2021 Climate Act expanded the benefits that may be included in cost-effectiveness screening. D.P.U. 20-150-A at 7; G.L. c. 25, §§ 19, 21(b)(3). In calculating cost effectiveness, program benefits shall include calculations of the social value of GHG emission reductions, except in cases of conversions from fossil fuel heating and cooling to new, more efficient fossil fuel equipment. G.L. c. 25, §§ 19, 21(b)(1), 21(b)(3); D.P.U. 20-150-A at 7; Guidelines § 3.4.4. Each Program Administrator incorporated a social value of GHG emissions reductions into its BCR screening models based on the regional 2024 AESC Study (see, e.g., Exhs. NG-Gas-5 (Rev.), AESC Tab; NG-Gas-4 (Rev.), Table IV.D.1).

2. Social Value of GHG Emissions Reductions

The Program Administrators propose to use a social value of GHG emissions reductions of $415 per short ton CO_2e, which is the high end of the range recommended by the 2024 AESC Study (Statewide Plan, Exh. 1, at 53; Apps. H at 32-33; V at 3).[95] While the proposed social

94 Benefits and costs are addressed in Guidelines §§ 3.4.4 and 3.4.5, respectively.

95 The 2024 AESC Study recommended a social value of GHG emissions reductions ranging from $249 to $415 per short ton of CO_2e (Statewide Plan, Exh. 1, App. H at 32).

value of GHG emissions reductions is a significant increase from the value used in the 2022-2024 Three-Year Plans (i.e., $128 per short ton), the value was calculated through the AESC Study group process, which the Department has endorsed as essential to produce accurate assumptions of avoided costs. 2022-2024 Three-Year Plans Order, at 172; see also 2019-2021 Three-Year Plans Order, at 68. Accordingly, the Department allows the Program Administrators' proposal to use a social value of GHG emissions reductions of $415 per short ton CO_2e.

3. Cost-Effectiveness Screening

The Department finds that all core initiatives, programs, and sectors for each Program Administrator's Three-Year Plan are projected to be cost effective. Therefore, no changes to the program designs included in the 2025-2027 Three-Year Plans are required (Statewide Plan, Exh. 1, at 62; App. H, at 32; see, e.g., Exh. NG-Gas-4 (Rev.), Table IV.D.1).

The Attorney General supports the Program Administrators' proposal to remove certain assessment costs (i.e., DOER assessment, the DOER/Attorney General consultant expenses, and the MassCEC workforce development assessment) from the sector-level cost-effectiveness calculations (Attorney General Brief at 26). The Department finds that these costs have no associated savings and are not within the Program Administrators' control. Put differently, even if these costs were determined not to be cost-effective, the Program Administrators lack the

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This range reflects a choice of discount rate of two percent for the lower cost and 1.5 percent for the higher cost (Statewide Plan, Exh. 1, App. H at 32). When determining the cost effectiveness of energy efficiency program investments, the EEA Secretary indicated that the Program Administrators should use a discount rate of 1.5 percent for the social cost of carbon (Statewide Plan, Exh. 1, at 53; Apps. H at 32-33; V at 3; see, e.g., Exhs. NG-Gas-2, at 156; DPU-Comm 12-5).

discretion to eliminate these costs, which is the purpose of identifying cost ineffective spending (Statewide Plan, Exh. 1, at 64; see, e.g., Exh. NG-Gas-2, at 167-168). Accordingly, we approve the Program Administrators' proposal to remove these assessment costs from the sector-level cost-effectiveness calculations. The Program Administrators shall continue to incorporate these costs at the portfolio-level calculation of the TRC test to fully account for all costs and benefits associated with the energy efficiency programs.

DOER supports the Program Administrators' proposal to apply to energy efficiency measures for moderate-income customers the NEIs historically applied to measures for low-income customers (DOER Reply Brief at 5-6). After review, we find that the Program Administrators have submitted persuasive evidence that that moderate-income households may experience energy burdens similar to (or greater than) low-income households (Exhs. DPU-Comm 1-1; DPU-Comm 21-1). Accordingly, the Department allows the Program Administrators' proposal to apply the low-income NEIs to energy efficiency measures for moderate-income customers.

Finally, the Program Administrators seek an exception to Guidelines § 3.4.6, with respect to the method specified therein to derive the discount rate for net present value calculations (Program Administrators Brief at 43). No party objected to this proposal. After review, the Department finds that use of a discount rate equal to a three-year average (rather than a twelve-month average) of historic yields from the ten-year U.S. Treasury note is reasonable and appropriately addresses the Program Administrators' concerns about short-term volatility (see, e.g., Exh. NG-Gas-2, at 168-169). Therefore, pursuant to Guidelines § 5, the Department grants the Program Administrators' requested exemption to Guidelines § 3.4.6 with respect to the

method used in setting the discount rate for net present value calculations in the Three-Year Plan term.

E. Conclusion

As described above, the Department approves the Program Administrators' proposal to use a social value of GHG emissions reductions of $415 per short ton CO_2e based on the 2024 AESC Study. After review, the Department finds that each Program Administrator demonstrated that its Three-Year Plan includes cost-effective sectors and programs for each plan year and over the entire 2025-2027 Three-Year Plan term.

VI. STATEWIDE ELECTRIFICATION POOL AND CUSTOM COMMERCIAL AND INDUSTRIAL COST SHARING

A. Introduction

The Program Administrators offer two separate cost-sharing proposals intended to drive electrification in pursuit of GHG emissions reductions targets and uptake of heat pumps. First, for prescriptive electrification measures (largely retail heat pumps), the Program Administrators propose what they describe as a "novel" approach to pool and apportion to each gas and electric Program Administrator the statewide costs, savings, and benefits associated with the funding and delivery of prescriptive electrification measures based on a formula centered on service area-specific heat pump production (for residential customers) and 2024 C&I sales (for C&I customers) (Statewide Plan, Exh. 1, at 57-58; Exh. DPU-Comm 1-2; see, e.g., Exh. NG-Gas-2, at 73). Given the unique nature of this statewide pool proposal, the Department determined that it first would address whether such an approach is permissible under existing law and

Department precedent before reviewing the specifics of the proposal. D.P.U. 24-140 through D.P.U. 24-149, Hearing Officer Memorandum at 2 (December 17, 2024).[96]

Second, for custom electrification measures undertaken by C&I customers that have both a gas and electric Program Administrator, the Program Administrators propose to have the electric Program Administrator act as the project lead and to apportion 62 percent of project costs, savings, and benefits to the electric Program Administrator and 38 percent to the gas Program Administrator (Statewide Plan, Exh. 1, at 58; see, e.g., Exh. NG-Gas-2, at 75).

B. Program Administrators Proposals

1. Statewide Pool for Prescriptive Electrification Measures

The Program Administrators propose to implement a statewide pool to aggregate and apportion the costs, savings, and benefits of prescriptive electrification projects (largely retail

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[96] The Department directed the parties to respond to the following three legal briefing questions regarding the proposed joint electrification cost pooling and allocation proposal:

> 1. Discuss in detail how the Program Administrators' joint electrification cost pooling and allocation proposal is consistent with current law. This response should address, but not be limited to, consistency with the following statutes: (1) Section 51 of an Act Relative to Competitively Priced Electricity in the Commonwealth, St. 2012, c. 209; and (2) G.L. c. 25, § 19(c).
>
> 2. Discuss in detail how the Program Administrators' joint electrification cost pooling and allocation proposal is consistent with Department ratemaking policies and precedent.
>
> 3. Describe what, if any, specific legislative amendments would be required to fully implement the Program Administrators' joint electrification cost pooling and allocation proposal.

Hearing Officer Memorandum at 2 (December 17, 2024).

heat pumps) among all gas and electric Program Administrators (Statewide Plan, Exh. 1, at 57-59; see, e.g., Exh. NG-Gas-2, at 73-74). The Program Administrators propose to aggregate and apportion these costs, savings, and benefits without regard to a customer's existing heating source or the service area location of a specific installation (Statewide Plan, Exh. 1, at 57-59; see, e.g., Exh. NG-Gas-2, at 73-74).

The Program Administrators propose to include the following costs in the statewide pool: (1) costs, including incentives, from prescriptive electrification measures; (2) Heat Loan costs; and (3) STAT costs that relate to the delivery of prescriptive electrification measures (Statewide Plan, Exh. 1, at 57-58; Exh. DPU-Comm 9-1, Att. at 45).[97] Outside of the statewide pool, each Program Administrator would continue to separately budget for and report on its incurred costs associated with PP&A activities related to retail heat pumps (Statewide Plan, Exh. 1, at 58).

The Program Administrators propose to exclude several cost categories from the statewide pool, including: (1) income-eligible and moderate-income costs; (2) residential and small business turnkey services; and (3) certain equipment including heat pump water heaters and lawn equipment (Statewide Plan, Exh. 1, at 58; Exh. DPU-Comm 9-1, Att. at 46). The Program Administrators do not propose to make any changes to their current approach to heat pump delivery for the low-income sector programs (Statewide Plan, Exh. 1, at 58).[98]

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97 On a statewide basis, the largest share of costs, savings, and benefits in the proposed statewide pool are related to retail heat pump adoption (Statewide Plan, Exh. 5(a), Tab "PrimaryData").

98 The proposed statewide pool excludes heat pumps installed through the low-income sector programs (Statewide Plan, Exh. 1, at 58; Exh. DPU-Comm 9-1, Att. at 46). The Program Administrators will continue to include heat pumps installed through the

The Program Administrators propose to apportion costs, savings, and benefits using a different method for each customer sector. For the residential sector, the Program Administrators propose to apportion costs, savings, and benefits of prescriptive electrification measures based on each Program Administrator's 2023 residential retail heat pump production (Exh. DPU-Comm 1-2; see, e.g., Exh. NG-Gas-2, at 73).[99] For the C&I sector, the Program Administrators propose to apportion costs, savings, and benefits of prescriptive electrification measures based on forecasted 2024 C&I sales (Exh. DPU-Comm 1-2; see, e.g., Exh. NG-Gas-2, at 74).[100] The Program Administrators propose to hold the resulting apportionment factors constant over the Three-Year Plan term (see, e.g., Exh. NG-Gas-2, at 73).

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low-income programs in their respective benefit-cost models (Statewide Plan, Exh. 1, at 58).

[99] The Program Administrators derived 2023 residential retail heat pump production data using the number of housing units with actual heat pump installations (as measured by rebates) in the residential and retail core initiatives in 2023 (see, e.g., Exh. NG-Gas-2, at 73; Exh. DPU-Comm 1-2). For example, if the total number of a Program Administrator's housing units receiving a heat pump rebate in 2023 was equal to five percent of total statewide rebates, then the Program Administrator would be apportioned five percent of statewide pool costs, savings, and benefits over the 2025-2027 Three-Year Plan term (see, e.g., Exh. NG-Gas-2, at 73).

[100] Each Program Administrator's C&I 2024 gas and electric sales forecasts were converted to a common unit (i.e., source MMBtu) (see, e.g., Exh. NG-Gas-2, at 73). For example, if a Program Administrator's 2024 gas and electric sales converted to source MMBtu are three percent of the statewide total, then that Program Administrator would be apportioned three percent of the costs, savings, and benefits for C&I prescriptive electrification measures (Exh. DPU-Comm 1-2; see, e.g., Exh. NG-Gas-2, at 73).

The Program Administrators propose that each Program Administrator (except the Compact)[101] will earn performance incentives based on the collective performance of statewide pool electrification efforts and not solely through individual efforts (Statewide Plan, Exh. 1, at 58).[102] The Program Administrators propose to apportion performance incentives to each Program Administrator using the same factors used to apportion statewide pool costs, savings, and benefits using the method described above (Statewide Plan, Exh. 1, at 58 n.43).[103]

The Program Administrators propose to employ the ten percent threshold in Guidelines § 3.8.2(c) to trigger the need for a mid-term modification of the pooled budget (Statewide Plan, Exh. 1, at 58; Exhs. DPU-Comm 9-1, Att. at 50; DPU-Comm 1-3; see, e.g., Exh. NG-Gas-2, at 65). If spending within the pooled budget approaches an overspend (i.e., more than 110 percent), the Program Administrators propose to file a joint mid-term modification request to increase the budget associated with the affected sector, even if an individual Program

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[101] Because the Compact is a municipal aggregator that has received Department approval to administer electric energy efficiency to member municipalities, the Compact does not receive performance incentives. See D.P.U. 08-50-A at 51; 2022-2024 Three-Year Plans Order, at 244. Accordingly, all references to "Program Administrators" in the context of performance incentives do not include the Compact.

[102] The Program Administrators propose to track costs, savings, and benefits for the statewide pool using a benefit-cost model to isolate the production and spending associated with prescriptive electrification (Statewide Plan, Exh. 5(a); Exhs. DPU-Comm 1-3; DPU-Comm 1-7). Each Program Administrator would report individually on its share of statewide activity compared to the statewide pool on a monthly, quarterly, and annual basis (Exh. DPU-Comm 1-3).

[103] The Program Administrators propose to employ consistent apportionment factors even though the Compact will not be apportioned any share of performance incentives (Statewide Plan, Exh. 1, at 58 n.43).

Administrator has not exceeded the ten percent threshold for its budget (Statewide Plan, Exh. 1, at 58; Exhs. DPU-Comm 9-1, Att. at 50; DPU-Comm 1-3; see, e.g., Exh. NG-Gas-2, at 65).

2. Cost Sharing for Custom Commercial and Industrial Electrification Projects

The Program Administrators propose to share the costs and benefits of custom C&I electrification projects where there is both a gas and an electric Program Administrator (Statewide Plan, Exh. 1, at 58-59; see, e.g., Exh. NG-Gas-2, at 75). The Program Administrators propose that the electric Program Administrator will take the lead role on any shared C&I custom electrification projects (Statewide Plan, Exh. 1, at 58). This lead role includes overseeing the initiation of technical assistance studies, conducting pre- and post-project quality assurance checks, guiding the project through the approval process, and collaborating with the applicable gas Program Administrator (Statewide Plan, Exh. 1, at 58). The Program Administrators propose to apportion 62 percent of shared project costs, savings, and benefits to the electric Program Administrator and 38 percent to the gas Program Administrator (Statewide Plan, Exh. 1, at 58; see, e.g., Exh. NG-Gas-2, at 75). The Program Administrators determined these percentages based on the relative proportions of gas and electric sales across each Program Administrator, where gas and electric sales were converted to source MMBtu (see, e.g. Exh. NG-Gas-2, at 75).

The Program Administrators propose to allow gas Program Administrators to opt out of funding what otherwise would be a shared custom C&I electrification project if the gas Program Administrator exceeds its planned custom C&I electrification budget (Statewide Plan, Exh. 1,

at 58-59; Exh. DPU-Comm 6-3 (Rev.); Tr. 1, at 143-146).[104] The Program Administrators state that in such cases, the electric Program Administrator would take full responsibility for the project, including covering all project costs and receiving the resulting savings and benefits (Statewide Plan, Exh. 1, at 58-59; Tr. 1, at 143-144).

The Program Administrators propose to treat joint C&I custom electrification projects like other measures for performance incentive calculations, with results reported in each Program Administrator's benefit-cost model (Statewide Plan, Exh. 1, at 59). The Program Administrators propose to apportion performance incentives earned from joint C&I custom electrification projects between the electric and gas Program Administrator using the same 62/38 percent electric/gas split used to apportion shared costs, savings, and benefits, as described above (Statewide Plan, Exh. 1, at 59).

C. Positions of the Parties[105]

1. Program Administrators

The Program Administrators argue their statewide pool proposal is appropriate for electrification, which is distinct from traditional energy efficiency measures as it is designed to meet a statutorily mandated statewide GHG emissions reduction target (Program Administrators Response to Briefing Questions at 11). The Program Administrators further argue that the

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[104] While all gas Program Administrators will be eligible to opt out of funding what otherwise would be a shared custom C&I electrification project if the gas Program Administrator has exceeded its planned custom C&I electrification budget, the Program Administrators explain that this option is likely to be employed only by the smaller gas Program Administrators (i.e., Berkshire, Liberty, and Unitil (gas)) (Tr. 1, at 143-146).

[105] No parties address the Program Administrators' proposed cost sharing for custom C&I electrification projects on brief.

proposed statewide pool is consistent with current law and the Department's ratemaking principles, maintaining that it can be approved by the Department without any additional statutory changes (Program Administrators Response to Briefing Questions at 10, 14). The Program Administrators emphasize that the statewide pool proposal received unanimous support from the Council at its October 23, 2024 meeting, and that the Attorney General, DOER, and LEAN each submitted analyses supporting the legal basis for the proposal (Program Administrators Brief at 1-2; Program Administrators Reply on Briefing Questions at 1-2).

Regarding consistency with Section 51 of the Energy Act of 2012, the Program Administrators assert that the proposed statewide pool is a cost-based approach to funding and delivering retail heat pumps and, therefore, is consistent with Section 51's directive that each distribution company establish a "cost-based rate design" to be recovered from customers through a reconciling factor (Program Administrators Response to Briefing Questions at 10; Program Administrators Reply on Briefing Questions at 3-4). In this regard, the Program Administrators argue that their proposal to apportion shared costs based on 2023 production data for residential heat pumps and 2024 sales for C&I heat pumps aligns with cost causation principles as these data reasonably represent the relative drivers of the shared costs to be apportioned among the Program Administrators during the Three-Year Plan term (Program Administrators Response to Briefing Questions at 10).

The Program Administrators further argue that the proposed statewide pool appropriately apportions costs and benefits between the residential and C&I customer classes in a manner consistent with G.L. c. 25, § 19(c), and will not adversely affect customers enrolled on the low-income discount rate (Program Administrators Reply on Briefing Questions at 5). In

addition, the Program Administrators argue that the statewide pool proposal furthers equity considerations as it is designed to prevent rate spikes and will result in more predictable bill impacts for all ratepayers (Program Administrators Brief at 63; Program Administrators Reply on Briefing Questions at 5-7, citing CLF Response to Briefing Questions at 5-6; Green Energy Response to Briefing Questions at 12). The Program Administrators also argue that the proposed statewide pool does not undermine Department oversight of them pursuant to G.L. c. 25, § 21(e) and does not relieve them from any performance or reporting obligations under the Three-Year Plans (Program Administrators Reply on Briefing Questions at 10-11).

The Program Administrators dispute Green Energy's characterization of the statewide pool as an improper financial transfer between gas and electric Program Administrators (Program Administrators Reply on Briefing Questions at 11-12, citing Engie Gas & LNG LLC v. Department of Public Utilities, 475 Mass. 191 (2016)) ("Engie"). The Program Administrators emphasize that the GWSA establishes a statewide framework for reducing GHG emissions, including the establishment of statewide limits (Program Administrators Response to Briefing Questions at 11). In addition, the Program Administrators argue that the GWSA requires the EEA Secretary to adopt GHG sublimits for specific sectors (e.g., residential and C&I heating and cooling) and to set a target for each Three-Year Plan term that aligns with the statewide emissions limits and sector sublimits (Program Administrators Response to Briefing Questions at 11, citing G.L. c. 21N, §§ 3, 3A, 3B). The Program Administrators maintain that because GHG emissions reductions are experienced statewide, it is appropriate to allocate the costs of achieving those emissions reductions statewide, ensuring that both the costs and benefits of electrification are distributed fairly and proportionately across the state (Program Administrators

Response to Briefing Questions at 12). The Program Administrators assert that they are not aware of any other instance where a legislatively established statewide target exists and, therefore, the precedential value of the proposed statewide pool is limited outside of the unique context of the Three-Year Plans (Program Administrators Response to Briefing Questions at 12).

2. Attorney General

The Attorney General supports the Program Administrators' proposed statewide pool, arguing that it is a novel approach that is designed to tackle some of the challenges created by the legislative mandate to deliver statewide decarbonization via energy efficiency programs and, in particular, the potential for inconsistent energy efficiency surcharges across service areas caused by an uneven adoption of heat pumps (Attorney General Response to Briefing Questions at 3-4). The Attorney General concludes that the statewide pool does not conflict with existing law. Specifically, she argues that neither Section 51 of the Energy Act of 2012, Section 19(c), nor any other statute is expressly on point (Attorney General Response to Briefing Questions at 4). Rather, the Attorney General asserts that amendments to the energy efficiency statutes (i.e., G.L. c. 25, §§ 19, 21-22) since the passage of the Electric Restructuring Act of 1997, St. 1997, c. 164 ("Restructuring Act") and the Green Communities Act provide implied authority for statewide decarbonization efforts through energy efficiency programming, such as the statewide pool (Attorney General Response to Briefing Questions at 4-8, 10-14). The Attorney General maintains that Section 51 of the Energy Act of 2012 and the Department's implementing orders[106] govern the required resetting of reconciling mechanisms based on cost-causation

[106] Investigation by the Department of Public Utilities Pursuant to Chapter 209, Section 51 of the Acts of 2012, An Act Relative to Competitively Priced Electricity in the

principles to reallocate costs among customer classes within a given distribution company but do not directly address cost sharing between electric and local gas distribution companies (Attorney General Response to Briefing Questions at 5-7). Likewise, the Attorney General posits that Section 19(c) governs the allocation of costs between customer classes within Program Administrators but does not restrict allocations between gas and electric Program Administrators (Attorney General Response to Briefing Questions at 5, 7-8).

The Attorney General emphasizes that the language of Section 19(c) is not analogous to establishing low-income discount rates, at issue in D.P.U. 08-4, where the Attorney General argued that statewide pooling was prohibited (Attorney General Response to Briefing Questions at 8, citing Investigation re: Expanding Low-Income Consumer Protections and Assistance, D.P.U. 08-4, at 39-40 (2008)). The Attorney General notes that her prior expressed concerns regarding low-income discount rates—that statewide pooling would reduce utility incentives to control costs—are not applicable in the energy efficiency context where: (1) Program Administrators have an incentive to control costs via the value component of the performance incentive; and (2) there is no incentive to over-spend on distribution investments to enlarge rate base (Attorney General Response to Briefing Questions at 9).

The Attorney General further argues that amendments to the energy efficiency statutes since the passage of the Green Communities Act in 2008 and Section 51 of the Energy Act of 2012 provide implied authority for statewide decarbonization efforts through energy efficiency programs (Attorney General Response to Briefing Questions at 10-14; citing Energy

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Commonwealth, D.P.U. 12-126, Vote and Order Opening Investigation (2012); D.P.U. 12-126A through 12-126I, Final Order (2013).

Act of 2018, 2021 Climate Act, and 2022 Energy Act). The Attorney General maintains that through these statutory amendments, the Mass Save program structure has been expanded to: (1) include the pursuit of cost-effective GHG emissions reductions; (2) require energy efficiency plans to meet GHG emissions reduction targets set by the EEA Secretary to further the Commonwealth's larger decarbonization goals; (3) include the social value of GHG emissions in cost-effectiveness testing; (4) establish statutory priorities for the Department, including consideration of GHG emissions reductions; (5) eliminate fossil fuel incentives from Mass Save programs (except for low-income programs); and (6) add environmental and equity concerns to the list of priorities for energy efficiency programs (Attorney General Response to Briefing Questions at 11). The Attorney General argues that these legislative changes transformed Mass Save from a program solely focused on reducing energy usage through efficiency measures (e.g., more efficient lightbulbs) to one that also seeks to accomplish ambitious building decarbonization through major interventions (e.g., the decommissioning of fossil fuel heating systems and replacement with electric heat pumps) (Attorney General Response to Briefing Questions at 12). The Attorney General argues that to implement these legislative mandates, the Program Administrators included the social value of avoided GHG emissions—benefits that accrue on a global, societal level—in cost-effectiveness testing, a statewide benefit in a test where benefits were previously assessed solely at the service area level (Attorney General Response to Briefing Questions at 12-13). The Attorney General asserts that the added requirement for Program Administrators to meet GHG emissions reductions targets set by the EEA Secretary represents another implicit grant of authority to pursue decarbonization statewide (Attorney General Response to Briefing Questions at 13-14).

The Attorney General contends that the proposed statewide pool is consistent with general principles of rate design, particularly fairness, equity, and rate continuity (Attorney General Response to Briefing Questions at 15-16). The Attorney General further asserts that the proposed statewide pool is consistent G.L. c. 164, § 94 as the cost-sharing structure will produce just and reasonable rates that are neither unjustly discriminatory nor unduly preferential (Attorney General Response to Briefing Questions at 16). The Attorney General maintains that the proposed statewide pool has the potential to prevent EES price spikes that could negatively affect the Commonwealth's electrification goals (Attorney General Response to Briefing Questions at 17). Finally, the Attorney General posits that the proposed statewide pool: (1) could provide a mechanism to receive outside funding to offset ratepayer costs; (2) is consistent with the Department's previous emphasis on statewide coordination of energy efficiency programming; (3) promotes fairness by preventing the burdens of pursuing statewide policy goals from falling only on certain customer groups; and (4) emphasizes rate continuity (Attorney General Response to Briefing Questions at 17-20).

3. Department of Energy Resources

DOER argues that the Program Administrators' proposal to pool electrification costs, savings, and benefits should eliminate uncertainty in market uptake and mitigate impacts to budgets caused by surges in production, particularly for smaller Program Administrators (DOER Response to Briefing Questions at 2). DOER further asserts that the Program Administrators' statewide pool proposal aligns with market transformation objectives by ensuring that the budget impacts of electrification will be consistent, predicable, and minimized to the greatest extent possible (DOER Response to Briefing Questions at 4).

DOER maintains that the EEA Secretary's statewide GHG emissions reduction goal is a collective goal of all Program Administrators for the benefit of the Commonwealth and that the proposed statewide pool approach aligns with this statewide goal (DOER Response to Briefing Questions at 4; DOER Reply Brief at 9). Likewise, DOER argues that avoided carbon benefits accrue on a societal basis rather than a service area basis (DOER Response to Briefing Questions at 4-5). DOER further contends that the statewide pool will motivate all Program Administrators to drive heat pump adoption, regardless of location (DOER Brief at 20).

In addition, DOER argues that the Program Administrators' statewide pool proposal is consistent with current law, including Section 51 of the Energy Act of 2012, Section 19(c), the Energy Act of 2018, the 2021 Climate Act, and the Clean Energy Act of 2022 (DOER Brief at 20; DOER Reply Brief at 8; DOER Response to Briefing Questions at 5-6). For example, DOER asserts that the Energy Act of 2018 authorized the Program Administrators to implement strategic electrification measures designed to cost-effectively reduce energy consumption and GHG emissions, while minimizing costs to ratepayers (DOER Response to Briefing Questions at 6). Further, DOER maintains that the Clean Energy Act of 2022 prohibited most spending on new fossil fuel equipment in the current Three-Year Plans while still requiring the Program Administrators to pursue all cost-effective energy efficiency and demand reduction resources (DOER Response to Briefing Questions at 6-7). DOER asserts that the Program Administrators' statewide pool proposal appropriately addresses these varied and evolving statutory requirements (DOER Response to Briefing Questions at 7-10).

DOER concurs with the Attorney General's arguments that: (1) there are no statutes specifically allowing or prohibiting the proposed statewide pool approach; and (2) Department

ratemaking precedent restricts cross-subsidization only among rate classes (DOER Reply Brief at 8, citing Attorney General Response to Briefing Questions at 5). DOER further asserts that the Green Communities Act directs the Council[107] to explore joint programs that provide similar efficiency measures to save multiple fuel resources or coordinate programs aimed at saving more than one fuel resource (DOER Reply Brief at 9; citing G.L. c. 25, § 22(b)).[108] DOER contends that the statewide pool proposal qualifies as a joint program as contemplated by G.L. c. 25, § 22(b) that is designed to meet required statewide GHG emissions reductions (DOER Reply Brief at 9).

Additionally, DOER asserts that the proposed statewide pool is consistent with current law regarding rate design and cost causation (DOER Response to Briefing Questions at 7, citing D.P.U. 12-126, Vote and Order Opening Investigation at 2-4). DOER argues that unlike traditional cost-causation principles, the costs of achieving GHG emissions reductions should be shared because the costs of climate change are common to all ratepayers (DOER Response to Briefing Questions at 8). In addition, DOER argues that the statewide pool proposal is consistent with the statutory requirements that ensures residential customers contribute only to residential measures and C&I customers contribute only to C&I measures (DOER Reply Brief at 9; DOER Response to Briefing Questions at 8-9). DOER further asserts that the proposed statewide pool approach fosters equitable principles by fairly sharing the costs and attributing the benefits of

[107] DOER maintains that the Council was actively involved in the design of the statewide pool proposal (DOER Reply Brief at 9).

[108] Any costs for these joint programs must be allocated fairly among the efficiency programs (DOER Reply Brief at 9, citing G.L. c. 25, § 22(b)).

electrification measures to all ratepayers statewide (DOER Response to Briefing Questions at 9-10). For these reasons, DOER argues that the Program Administrators' proposed statewide pool approach complies with the 2021 Climate Act (DOER Response to Briefing Questions at 9-10).[109]

DOER argues that the prescriptive statewide pool is consistent with Department ratemaking principles and precedent because it will ensure rate continuity and fairness across rate classes (DOER Response to Briefing Questions at 11). DOER argues that, absent the prescriptive statewide pool, some customers could be subject to greater fluctuations in the EES (DOER Response to Briefing Questions at 11). In addition, DOER maintains that the proposal is efficient and simple because the apportionment of costs is predetermined and fixed (DOER Response to Briefing Questions at 11). Finally, while DOER concludes that the proposed statewide pool is consistent with law and Department precedent, it argues that future modifications to G.L. c. 25 may be necessary to fully transform Mass Save into a statewide decarbonization program (DOER Response to Briefing Questions at 12).

4. Acadia Center

Acadia fully adopts CLF's arguments in response to the Department's briefing questions (Acadia Response to Briefing Questions at 1). In particular, Acadia agrees that the proposed statewide pool generally complies with Section 19(c). Acadia does not, however, take a position

[109] DOER argues that, when reviewing the Three-Year Plans, the 2021 Climate Act requires the Department to prioritize "equity and reductions in greenhouse gas emissions to meet statewide greenhouse gas emission limits and sublimits established pursuant to chapter 21N" (DOER Response to Briefing Questions at 9, citing G.L. c. 25, § 1A).

on whether the Program Administrators have demonstrated that the proposed method to share pooled costs is consistent with applicable law (Acadia Response to Briefing Questions at 1).

5. Conservation Law Foundation

CLF argues that the design of the proposed statewide pool should be modified as it is inconsistent with statutory requirements and Department precedent (CLF Brief at 7, 13, 42-43; CLF Response to Briefing Questions at 3).[110] CLF contends that nothing in Section 19(c) or Section 51 of the Energy Act of 2012 prohibits the pooling of electrification costs as long as the cost recovery method complies with cost-causation and proportionality requirements (CLF Response to Briefing Question at 4). In this regard, CLF argues that any pooled prescriptive electrification costs must be recovered through uniform volumetric charges that are directly proportional to the contribution of base distribution revenues from each rate class (CLF Response to Briefing Questions at 4, citing St. 2012, c. 209, § 51).

CLF also argues that the proposed statewide pool does not contain a process to ensure that the apportionment of costs and benefits will be equitable (CLF Brief at 43-44; CLF Response to Briefing Questions at 3). As a result, CLF argues that low-income customers in some Program Administrators' service areas could pay disproportionately more for market-rate residential heat pump installations than in other service areas (CLF Response to Briefing Questions at 5). CLF contends that this violates the statutory requirement that costs must be apportioned across customer classes in proportion to class contributions (CLF Response to

110 Specifically, CLF argues that the Program Administrators have not presented sufficient evidence to show that their proposal satisfies the proportionality principles of Section 51 of the Energy Act of 2012 and Section 19(c), and the equity mandate of the roadmap law, i.e., the 2021 Climate Act (CLF Response to Briefing Questions at 3).

Briefing Questions at 4-5, citing St. 2012, c. 209 § 51; G.L. c. 25, § 19(c)). CLF asserts that any method to apportion pooled costs should account for the number of market-rate customers in each Program Administrator's service area who have not yet installed electrification measures (CLF Response to Briefing Questions at 5-6). CLF concludes that the Department cannot determine that the proposed apportionment method is equitable without more data on the potential impacts on customer classes (CLF Response to Briefing Questions at 6).

CLF argues that the Program Administrators' proposal to earn incentives on the collective performance of the statewide pool fails to comply with Department Guidelines (CLF Brief at 43-44; CLF Response to Briefing Questions at 8). CLF is concerned that, as proposed, Program Administrators can earn performance incentives even if they do not take appropriate steps to promote retail heat pump measures in their service areas (CLF Response to Briefing Questions at 8). CLF asserts that, to the extent the Department is amenable to approving the statewide pool proposal, it should require the Program Administrators to adopt higher income-eligible heat pump targets to minimize potential negative impacts of the statewide pool proposal on low- and moderate-income communities (CLF Brief at 44). Finally, CLF, in its reply brief, disputes many of the arguments the Program Administrators' offer in support of the statewide pool proposal (particularly the apportionment method) (CLF Reply Brief at 3-8).

6. Green Energy Consumers Alliance

Green Energy argues that the statewide pool proposal is not well justified in law or policy and, therefore, the Department should reject it (Green Energy Brief at 11). Green Energy objects to the "dubious legality" of the proposal and, instead, argues that the Department should require the Program Administrators to develop a "more traditional" interim approach pending integration

of DEP's forthcoming Clean Heat Standard[111] into the Three-Year Plans (Green Energy Brief at 2, 12, 14; Green Energy Response to Briefing Questions at 2).

Green Energy argues that the statewide pool proposal will impose significant costs on electric consumers who already pay among the highest rates in the country (Green Energy Response to Briefing Questions at 3). Green Energy asserts (and maintains that the Program Administrators also acknowledge) that increasing electric rates to support electrification measures could defeat decarbonization objectives, whereas shifting costs from electric to gas ratepayers could improve the cost effectiveness of electrification (Green Energy Response to Briefing Questions at 3). As an alternative to the statewide pool, Green Energy argues shifting costs to delivered fuels, as envisioned by the Clean Heat Standard, would better establish market signals for electrification (Green Energy Response to Briefing Questions at 3).

Green Energy emphasizes that the Program Administrators have offered a variety of rationales for their cost-sharing proposal, which it argues is representative of a negotiated budget-management outcome (Green Energy Response to Briefing Questions at 3-7; Green Energy Brief at 11-12, citing Statewide Plan, Exh. 1, at 9; Exhs. DPU-Comm 9-1, Att. at 44; NG-Electric-2, at 73; NSTAR-Electric-2, at 72; DPU-Comm 1-2, at 3; RR-DPU-1). Green Energy observes that under the proposed statewide pool approach, costs could be shifted from gas to electric ratepayers or from electric to gas ratepayers, and queries how this amounts to an "equitable sharing of costs between electric and gas ratepayers," particularly where "equitable" in this context has not been defined (Green Energy Response to Briefing Questions at 4). Green

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[111] The Clean Heat Standard is discussion in Section XIII.D.

Energy further asserts that the proposed method to apportion pooled electrification costs is not well supported on the record and the Program Administrators rejected alternative methods as "less equitable" without sufficient analysis (Green Energy Response to Briefing Questions at 4, 7).

Green Energy asserts that it is not clear that the statewide pool proposal is consistent with current law, arguing the Program Administrators offer no support beyond an assertion without citation that the chosen methods "align most closely with the existing regulatory precedent regarding rate continuity" (Green Energy Brief at 12; Green Energy Response to Briefing Questions at 11, quoting Tr. 1, at 125). Green Energy maintains that under Section 19(c), energy efficiency cost recovery must be cost-based or proportional to ratepayer contributions (Green Energy Response to Briefing Questions at 11). Green Energy further maintains that under Section 51 of the Energy Act of 2012, energy efficiency costs must be recovered from each rate class under cost-based criteria and, in the absence of clear cost causation, such costs must be recovered through volumetric charges in a uniform manner in direct proportion to the contribution of base distribution revenues from each class (Green Energy Response to Briefing Questions at 11).

Further, Green Energy argues that the Program Administrators offer no legal authority for the Department to approve financial transfers between electric and gas customers and, for its part, cites case law supporting the opposite result (Green Energy Response to Briefing Questions at 12, citing Engie, 475 Mass. 191). Green Energy raises additional concerns that the statewide pool is not consistent with G.L. c. 25, § 21(e), which authorizes the Department to investigate an individual Program Administrator's compliance with its Three-Year Plan, with potential fines for

failure to reasonably comply (Green Energy Response to Briefing Questions at 12). In this regard, Green Energy asserts the proposed statewide pool insulates Program Administrators from the consequences of failure to perform and prevents the Department from fulfilling its statutory oversight obligations (Green Energy Response to Briefing Questions at 12). In addition, Green Energy claims that the design of the proposed statewide pool fails to prioritize equity as required by G.L. c. 21N, § 3B (Green Energy Response to Briefing Questions at 12, quoting 2022-2024 Three Year Plans Order, at 106).

Finally, Green Energy disputes the need for the "novel approach" of the proposed statewide pool, observing that statewide cost-sharing solutions have not been approved by the Department in other contexts (Green Energy Response to Briefing Questions at 13). Green Energy notes that potential cost sharing between gas and electric ratepayers was discussed in D.P.U. 20-80, and the Department declined to pursue this option (Green Energy Response to Briefing Questions at 13-14).

7. Low-Income Energy Affordability Network

LEAN argues that the Department is statutorily mandated to consider "affordability, equity and GHG reduction" (LEAN Response to Briefing Questions at 2). According to LEAN, the proposed statewide pool appropriately balances affordability, equity, and GHG emissions reductions and will protect customers of smaller Program Administrators having a disproportionate number of below-average-income households (LEAN Response to Briefing Questions at 2). In particular, LEAN notes that the proposed statewide pool will reduce the EES for Unitil (gas), EGMA, and Liberty, each of which has a concentration of below-average-income populations (LEAN Response to Briefing Questions at 2). LEAN

supports the statewide pool proposal as a means to more equitably share the costs of meeting statewide GHG emissions reductions mandates (LEAN Response to Briefing Questions at 2).

D. Analysis and Findings

1. Statewide Pool for Prescriptive Electrification Offerings

a. Introduction

As discussed above, the EEA Secretary set a statewide goal for all Program Administrators to achieve one million metric tons of GHG emissions reductions over the 2025-2027 Three-Year Plan term (Statewide Plan, Exh. 1, App. V at 2). The Program Administrators state that achieving this goal will require coordinated efforts to encourage heat pump adoption wherever it can be achieved (Statewide Plan, Exh. 1, at 9; Exh. DPU-Comm 9-1, Att. at 44; see, e.g., Exh. NG-Gas-2, at 72). In support of these efforts, the Program Administrators propose to create a statewide pool in which all costs, savings, and benefits of certain prescriptive electrification efforts will be apportioned across electric and gas Program Administrators (Statewide Plan, Exh. 1, at 57-59; see, e.g., Exh. NG-Gas-2, at 73).

In considering this proposal, the Department first must assess its consistency with the existing legal framework, both statutory and the Department's own precedents, and ratemaking principles. Next, we consider the specifics of the proposal, including the proposed: (1) methods for apportioning costs, savings, and benefits of prescriptive electrification measures; (2) mid-term modifications for pooled budgets; and (3) performance incentives related to statewide pool activities.

b. Consistency with Existing Legal Framework

In reviewing the novel statewide pooling proposal, the Department must consider past precedent, current law and policies, and future GHG emissions reduction targets. Indeed, the Three-Year Plans and the proposed statewide pool, which specifically focuses on electrification, represent a bridge between the traditional scope of energy efficiency programs and the future of decarbonization efforts in the Commonwealth. On this the parties agree. Legislative changes already have transformed Mass Save from a program solely focused on achieving energy savings through energy efficiency measures that directly reduce participating customers' bills (e.g., weatherization) to one that also seeks to accomplish an ambitious program of building decarbonization through major interventions (e.g., the decommissioning of fossil fuel heating systems and replacement with electric heat pumps), but that has the potential to increase customer bills significantly (see, e.g., Attorney General Response to Briefing Questions at 12). As discussed in Section IX below, the Program Administrators assert that expanded budgets may be necessary to fully meet Three-Year Plan goals and additional sources of funding for these new decarbonization measures are needed so that ratepayers do not shoulder all of the costs. Further, future legislative changes may be required to effectuate a robust statewide decarbonization program that balances costs and benefits and supports a more comprehensive clean energy transition (see DOER Response to Briefing Questions at 12). See also D.P.U. 20-80-B, at 37-39, 49-53.

Such future challenges inform our consideration of the Three-Year Plans, but here we evaluate only whether Program Administrators, acting in the context of the Green Communities Act, the GWSA, the Energy Act of 2018, the 2021 Energy Act, and the 2022 Clean Energy Act,

may design an energy efficiency program primarily for the funding and delivery of retail heat pumps to customers on a statewide basis, setting statewide goals for prescriptive electrification measures, and apportioning associated costs, savings, and benefits to each gas and electric Program Administrator using the methods described above (Statewide Plan, Exh. 1, at 57-58; Exh. DPU-Comm 1-2). The Department need not opine on past or potential future proposals for cost sharing, pooling across rate classes or Program Administrators generally, or hybrid rates in contexts outside of the Green Communities Act in considering whether the Program Administrators' statewide pool proposal to meet the GHG emissions reduction targets set by the EEA Secretary is permissible under existing law.

As a threshold matter, the Department finds that the pooling of prescriptive electrification costs, savings, and benefits as proposed in the Three-Year Plans is not prohibited as a matter of law. The Department acknowledges that the statewide pool proposal is unique and without precedent. The Program Administrators must implement Three-Year Plans that are designed to meet the significant GHG emissions reduction challenges set for them by the EEA Secretary while, at the same time, addressing the resulting rate impacts that could dampen uptake for electrification measures at a critical time in the Commonwealth's decarbonization efforts. In this context, a lack of direct precedent alone is not a reason to deny action.

As the Supreme Judicial Court observed in considering the Department's authority vis-à-vis contracts for the purchase of gas or electricity pursuant to G.L. c. 164, § 94A, the Legislature "intended, with limited exceptions, to regulate the gas and electric utilities differently." Engie, 475 Mass. at 200. Under the proposed statewide pool, the gas and electric Program Administrators would share costs, savings, and benefits across company service areas

and between energy sectors (i.e., gas and electric). Both aspects of the proposal depart from the traditional regulation of gas and electric utilities. See Engie, 475 Mass. at 200. There are critical differences, however, between the electric and gas distribution companies acting within their traditional functions (e.g., procuring energy resources for distribution, as in Engie) and, together with the Compact, acting as energy efficiency Program Administrators. This difference informs our conclusion that the administration of energy efficiency programs under G.L. c. 25, §§ 19(a), 21(d)(2) is appropriately considered one of the "exceptions" to the separate regulation of gas and electric distribution companies, both across service areas and between energy sectors.[112]

While Engie addresses Department authority pursuant to G.L. c. 164, § 94A and does not speak to the sections of chapter 25 at issue here or specifically to joint action such as cost pooling, the Department is mindful of the Court's analytical path regarding the regulatory treatment of gas and electric distribution companies. Engie, 475 Mass. at 196-197, 200, 205-207. The Engie Court declined an expansive reading of conjunctive statutory language referring to "gas or electric"[113] companies and contracts that would have allowed the Department to approve electric distribution company purchases of natural gas contracts. 475 Mass. at 201.

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[112] Green Energy, in opposing the statewide pool proposal, emphasizes the potential for subsidies across energy sectors and questions the legal authority to "approve financial transfers between electric and gas customers" (Green Energy Response to Briefing Questions at 12). We address that argument here and note that while Green Energy does not emphasize similar concerns about pooling across Program Administrators' service areas, the same analysis applies to both.

[113] "No *gas or* electric company shall hereafter enter into a contract for the purchase of *gas or* electricity covering a period in excess of two years without the approval of the [D]epartment. . ." 475 Mass. at 201 (quoting G.L. c. 164 § 94A (1930)) (emphasis original); see also 475 Mass. at 201 n.16 (noting that G.L. c. 164, § 94A was subsequently amended in 1941 to change the contract period from two years to one year).

Rather, the Court viewed that language in the historic context of its enactment in 1930, the distinct treatment of gas and electric companies throughout chapter 164, and the purpose and provisions of the Restructuring Act in amending G.L. c. 164. Engie, 475 Mass. at 196-197, 200-201, 205-206. Without historical precedent or a specific exception[114] to the statutory scheme of the Restructuring Act, the Engie Court held, the Department could not interpret its statutory authority in a manner inconsistent with the Legislature's policy choices as expressed through the more recently enacted Restructuring Act. 475 Mass. at 209-210. By contrast, here, the Program Administrators are not reaching back to read new breadth or purpose into statutory language passed nearly a century ago; it is the Legislature leading the way with its recent statutory changes that have transformed Mass Save.

The Green Communities Act represents a comprehensive, expansive, and evolving statutory scheme that embraces the efficiencies of coordinated action and the potential of joint energy efficiency programs to transform markets in pursuit of the goals established by the Legislature. The Program Administrators already coordinate in ways big and small in the design and implementation of the Three-Year Plans. And as DOER notes, the Green Communities Act specifically directs the Council to examine "opportunities to offer joint programs providing similar efficiency measures that save more than [one] fuel resource or to coordinate programs targeted at saving more than one fuel resource," evincing an expansive statutory vision rather

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[114] The Engie Court cited provisions from the Green Communities Act related to the acquisition of long-term contracts for renewable energy as an example of such a legislatively expressed exception to the Restructuring Act. 475 Mass. at 209-210, citing St. 2008, c. 169, § 83. Not unlike energy efficiency, Section 83 is an example of the Legislature directing the companies' resource acquisition priorities to drive market development and transition in pursuit of clean energy goals.

than stasis (DOER Reply Brief at 9, citing G.L. c. 25, § 22(b)). Far from the traditional bar on cost sharing, the statute mandates only that the costs for such joint programs be allocated "equitably" among the efficiency programs. G.L. c. 25, § 22(b).

Perhaps most important, however, is the emergence of energy efficiency as a "foundational strategy to enable decarbonization of heating across all scenarios, reducing challenges associated with both electrification and decarbonized fuel-based strategies" in pursuit of the Commonwealth's statewide GHG emissions reduction targets. D.P.U. 20-80-B at 22 n.16; 37-38. Subsequent to the passage of the Green Communities Act, the Legislature enacted the Energy Act of 2018, the 2021 Climate Act, and the 2022 Energy Act, each of which expanded the remit of Mass Save to: (1) include the pursuit of cost-effective GHG emissions reductions; (2) require Three-Year Plans to meet GHG emissions reduction targets set by the EEA Secretary to further the Commonwealth's larger decarbonization goals; (3) include the social value of GHG emissions in cost-effectiveness testing; (4) eliminate fossil fuel incentives from the Mass Save program (except for the low-income program); and (5) establish priorities for the Department to guide its review of the Three-Year Plans, including affordability, equity, and environmental considerations. G.L. c. 21N, §§ 3, 3A, 3B. The task of the Program Administrators, with the advice of the Council, is to design programs to achieve these goals and targets within the bounds established by the Legislature. The Department finds that the statewide pooling and sharing of certain costs, savings, and benefits associated with electrification measures in pursuit of statewide GHG emissions reductions targets is consistent with this statutory design.

Having found that there is no general prohibition against the statewide pooling and apportionment of certain prescriptive electrification costs, savings, and benefits by gas and electric Program Administrators under the Green Communities Act, the Department next addresses the consistency of the statewide pool proposal with various statutory ratemaking mandates. In particular, we address the consistency of the proposal with: (1) Section 51 of the Energy Act of 2012, which mandates that all reconciliation factors must be designed to recover costs from each rate class under cost-based criteria; and (2) Section 19(c) of General Laws chapter 25, which specifies that energy efficiency program funds shall be allocated to customer classes in proportion to their contributions to those funds.

The Department agrees with the Program Administrators, the Attorney General, and DOER that Section 51 of the Energy Act of 2012 does not directly conflict with the statewide pool proposal, as designed, where it preserves the distinction for ratemaking purposes between the residential and C&I customer classes (Program Administrators Response to Briefing Questions at 10; Program Administrators Reply on Briefing Questions at 3-4; DOER Response to Briefing Questions at 7-8). As discussed in Section VI.C., below, the Department will require the Program Administrators to track and report individual and pooled electrification costs, savings, and benefits, in part to determine whether changes to the statewide pool mechanism are warranted for future three-year plans.

Likewise, the Department agrees with the Program Administrators, the Attorney General, and DOER that Section 19(c) does not directly conflict with the statewide pool proposal where it preserves the distinction for ratemaking purposes between the residential and C&I customer classes (Program Administrators Reply on Briefing Questions at 5; Attorney General Response

to Briefing Questions at 7-8; DOER Response to Briefing Questions at 8-9). Section 19(c) requires the Department to allocate electric and gas energy efficiency program funds to customer classes in proportion to their contributions to those funds. G.L. c. 25, § 19(c). While Section 19(c) separately references "electric and gas" program funds, it does not require separate gas and electric allocations within the residential and C&I customer classes for the purpose of assessing proportionality. Particularly given the Legislature's directives to the Council to undertake a "sustained and integrated statewide energy efficiency effort," including the pursuit of potential joint programs where costs "for joint programs shall be allocated equitably among the efficiency programs," we decline to read additional limitations into the plain text of Section 19(c). G.L. c. 25, § 22(b).

Finally, the Department considers whether the Program Administrators' statewide pool proposal is contrary to any Department ratemaking precedent or principles. As we noted above, the Department has no direct precedent addressing the statewide pooling of costs. When reviewing new rate mechanisms, the Department will consider a number of ratemaking principles, including fairness, equity, and rate continuity. See, e.g., Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-150, at 74 (2024).

As described above, the statewide pool proposal preserves the distinction for ratemaking purposes between the residential and C&I customer classes, promoting both fairness and equity. In addition, as discussed more below, the statewide pool proposal is designed to promote rate continuity by preventing rate spikes in individual Program Administrator's service areas due to uneven uptake of heat pumps. LEAN, in particular, emphasizes the important protection that the statewide pool proposal offers to customers of the smaller Program Administrators that have a

disproportionate percentage of below-average-income households (LEAN Response to Briefing Questions at 2). Further, experience in the 2022-2024 Three-Year Plan term demonstrates the vulnerabilities of service-area-specific allocations of heat pump costs. The term was marked by numerous mid-term modification proposals, first by the small Program Administrators. See Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 23-91; The Berkshire Gas Company, D.P.U. 23-93. Near the end of the term, the larger Program Administrators sought substantial additional funding (with minimal time for Department review), driven by a sharp acceleration in heat pump deployments, especially in the income-eligible programs. See Eversource Gas Company of Massachusetts; D.P.U. 24-127; NSTAR Gas Company; D.P.U. 24-128; Boston Gas Company, D.P.U. 24-98; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 24-99. Though the statewide pooling proposal will address the former problem more directly than the latter, any measure to improve oversight and control over the substantial line item of prescriptive heat pump costs (e.g., incentives and HEAT Loan costs) is welcome. See Section X. Accordingly, the Department finds that the design of the Program Administrators' proposed statewide pool does not violate Department ratemaking principles.

c. Apportionment of Statewide Costs, Savings and Benefits

As described above, for residential customers, the Program Administrators propose to apportion the pooled costs, savings, and benefits of prescriptive electrification measures over the Three-Year Plan term based on 2023 residential retail heat pump production (see, e.g.,

Exh. CLC-2, at 65-66).[115] The Program Administrators assert that that this method is designed to: (1) prevent any one Program Administrator from experiencing sudden increases in costs due to anomalous heat pump adoption in that service area; and (2) produce more predictable bill impacts for both gas and electric customers (Exh. GECA-Comm 1-5; Tr. 1, at 115-116; see, e.g., Exh. CLC-2, at 67).

The Program Administrators indicate that they explored several alternative options for apportioning residential costs, savings, and benefits (Exhs. DPU-Comm 1-2; DPU-Comm 16-1; Tr. 1, at 126-130, 135-144). The Program Administrators found, however, that each alternative raised significant issues including: (1) higher burdens for low-income customers; (2) unreasonable cost increases for smaller Program Administrators; and (3) challenges in fairly splitting gas and electric costs, leading to disproportionate bill impacts (Tr. 1, at 135-136; RR-DPU-1).

The Department emphasizes that the statewide pool proposal is a novel approach introduced for the 2025-2027 Three-Year Plan term to address the particular urgency of broad scale residential heat pump installation and the resulting rate impacts. In this context and given that consideration of potential alternative methods did not produce a clearly preferable basis upon which to apportion residential costs, the Department finds the Program Administrators' proposal to apportion the pooled costs, savings, and benefits of prescriptive electrification measures over the Three-Year Plan term based on 2023 residential retail heat pump production is reasonable.

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[115] The most recent full year of residential heat pump production data available to the Program Administrators was for 2023 (Tr. 139-140).

For prescriptive electrification measures in the C&I sector, the Program Administrators propose to apportion costs, savings, and benefits over the Three-Year Plan term based on forecasted 2024 C&I sales (Exh. DPU-Comm 1-2; see, e.g., Exh. CLC-2, at 66;). As in the case of residential prescriptive electrification measures above, the Program Administrators considered alternative methods to apportion costs, savings, and benefits for C&I prescriptive electrification measures but found that each alternative would result in: (1) unreasonable increases in total electrification costs compared to historical amounts; or (2) disproportionately high increases to total costs for smaller Program Administrators (Exh. DPU-Comm 1-2; Tr. 1, at 126-127, 136; 140-144). Given that consideration of potential alternative methods did not produce a clearly preferable basis for apportionment, the Department finds the Program Administrators' proposal to apportion the pooled costs, savings, and benefits of prescriptive electrification measures over the Three-Year Plan term based on forecasted 2024 C&I sales is reasonable.

As discussed in Section VI, the Department will require the Program Administrators to file additional information regarding the actual distribution of costs for both residential and C&I prescriptive electrification measures in each Program Administrator's service area over the Three-Year Plan term. Based in part on these data, the Department will consider whether it is necessary to revise the methods used to allocate statewide pool costs in the next three-year plan term.

d. Mid-term Modifications for the Statewide Pool

In the event the Program Administrators project they will exceed their pooled residential sector budget and/or pooled C&I sector budget by the ten percent threshold specified in Guidelines § 3.8.2(c), the Program Administrators propose to file a joint request for a mid-term

modification (Statewide Plan, Exh. 1, at 58). Having approved the Program Administrators' request to implement the statewide pool, the Department finds that it is appropriate to measure the mid-term modification threshold based on requested changes to statewide pooled budgets over the Three-Year Plan term, regardless of an individual Program Administrator's individual sector-level spending as compared to budget. In Section X, below, the Department establishes a revised mid-term modification budget threshold of five percent at the sector level. The Program Administrators shall apply the same revised budget threshold to all joint mid-term modification requests applicable to the statewide pool. More specifically, where the Program Administrators seek a joint increase or decrease to a pooled three-year sector budget that is greater than five percent, they shall submit a proposed mid-term modification to the Department and Council as otherwise specified in Guidelines § 3.8.2.

e. Statewide Pool Performance Incentives

The Program Administrators propose to earn incentives based on the collective performance of their statewide pool electrification efforts and not through their individual efforts (Statewide Plan, Exh. 1, at 58 n.43). As CLF correctly recognizes, however, this proposal is not consistent with the Department's Guidelines § 3.6.2(d) which specify that performance incentives are available only for activities where the Program Administrator "plays a distinct and clear role in bringing about the desired outcome" (CLF Response to Briefing Questions at 7). In addition, as Green Energy notes, the Program Administrators' proposal lacks any appropriate incentive for the Program Administrators to meet their individual electrification targets (Green Energy Response to Briefing Questions at 6).

For the reasons discussed above, the Department denies the Program Administrators' proposal to earn performance incentives based on the collective performance of their statewide pool electrification efforts. Instead, the Department will permit each Program Administrator to earn performance incentives for prescriptive electrification measures installed in its service area using the traditional performance incentive model. The Department finds that this traditional approach is consistent with Guidelines § 3.6.2(d) and will create an appropriate incentive for each individual Program Administrator to promote the installation of prescriptive electrification measures in its service area in furtherance of the Commonwealth's electrification goals.

f. Statewide Pool Reporting Requirements

In conjunction with our approval of the statewide pool, the Department will require the Program Administrators to report certain information regarding the apportionment of prescriptive electrification costs, savings, and benefits versus actual prescriptive electrification measures installed in each Program Administrator's service area. Each Program Administrator shall report on a bi-annual basis (i.e., every other quarter) with respect to its service area: (1) the number of prescriptive electrification measures (i.e., those included in the statewide pool) installed;[116] and (2) the cost of installing the prescriptive electrification measures, including incentives, STAT costs, and marketing costs (i.e., the costs included in the statewide pool).[117] The Department will

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[116] The Program Administrators will also report heat pump production by zip code as part of their bi-annual reports to the Council (Statewide Plan, Exh. 1, at 278, 286).

[117] To the extent that certain costs are procured statewide (e.g., marketing costs), such costs should be attributed to each Program Administrator based on the number of prescriptive electrification measures installed in that Program Administrator's area in the year for which the data are reported.

review these data to consider how the apportionment of costs under the statewide pool varies from actual patterns of production and costs across service areas for electrification measures installed during the Three-Year Plan term. In all future local distribution adjustment factor ("LDAF") and energy efficiency reconciling factor ("EERF") filings, each Program Administrator shall present the amount of energy efficiency program expenditures included in the proposed EES categorized by: (1) program administrator expenditures (by program), excluding costs associated with the statewide pool; and (2) program administrator expenditures associated with the statewide pool.

2. Cost Sharing for Commercial and Industrial Custom Electrification Projects

In Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 22-94, at 14 (2022), the Department recognized that the splitting of incentives between gas and electric Program Administrators has the potential to mitigate bill impacts and produce a more equitable sharing of costs between gas and electric ratepayers. Therefore, the Department directed the Program Administrators to consider adopting a split incentive for both large traditional C&I custom projects and large strategic C&I electrification projects which involve offsetting natural gas consumption. D.P.U. 22-94, at 14. Consistent with this directive, the Program Administrators propose to share the costs and benefits of joint C&I custom electrification projects (Statewide Plan, Exh. 1, at 58-59; see, e.g., Exh. NG-Gas-2, at 75).[118]

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[118] Where a gas Program Administrator has exceeded its planned custom C&I electrification budget, it may opt out of funding what otherwise would be a shared custom C&I electrification project (Statewide Plan, Exh. 1, at 58-59; Exh. DPU-Comm 6-3 (Rev.); Tr. 1, at 143-146).

After review, the Department finds that the Program Administrators' proposal to share the cost and benefits of joint custom C&I electrification projects between applicable gas and electric Program Administrators is reasonable and will result in a more equitable sharing of costs between gas and electric ratepayers. The Department further finds that the Program Administrators' proposal to assign 62 percent of shared project costs and benefits to the electric Program Administrator and 38 percent to the gas Program Administrator based on the relative proportion of gas and electric sales across all Program Administrators is reasonable (Statewide Plan, Exh. 1, at 58; see, e.g., Exh. NG-Gas-2, at 75).

E. Conclusion

With their proposal to pool and apportion to each gas and electric Program Administrator the statewide costs, savings, and benefits associated with the funding and delivery of heat pumps, the Program Administrators have advanced a novel approach designed to tackle some of the challenges created by the legislative mandate to deliver ambitious statewide decarbonization via energy efficiency programs. As we found above, there are no barriers under existing law or Department precedent that prevent adoption of the statewide pool approach. Although certain intervenors have raised concerns about the overall structure of the statewide pool as well as aspects of its design, the Department emphasizes that the statewide pool proposal was subject to collaborative development and received unanimous approval from the Council, including the Attorney General and DOER. Given the urgency and scope of the GHG reductions goals and in particular the pace of retail heat pump installation necessary to achieve those goals, the Department declines at this early stage to reformulate the statewide pool proposal on the record before us.

Consistent with our view that the 2025-2027 Three-Year plan term must function as a bridge between traditional energy efficiency and widescale decarbonization, the Department approves use of the statewide pool for prescriptive electrification measures for the current Three-Year Plan term. We also approve cost sharing between electric and gas Program Administrators for joint custom C&I projects. The Program Administrators will track and report individual and pooled electrification costs, savings, and benefits and the Department will use these data, in part, to determine whether the statewide pool mechanism is warranted for future three-year plan terms.

Both the statewide pool and the sharing of cost and benefits of joint custom C&I electrification projects have the potential to mitigate bill impacts and produce a more equitable sharing of costs between gas and electric ratepayers. Our support of these collaborative efforts notwithstanding, the Department reminds each Program Administrator that it retains the individual burden to demonstrate that all investments made in its service area are reasonable and prudently incurred at the time final cost recovery is sought.

VII. PERFORMANCE INCENTIVES

A. Introduction

The Green Communities Act specifies that the Three-Year Plans shall include a proposed mechanism that provides incentives to the Program Administrators based on their success in meeting or exceeding plan goals. G.L. c. 25, § 21(b)(2). Section 3.6.2 of the Department's Guidelines outlines principles for the design of a performance incentive mechanism. Specifically, an incentive mechanism must: (1) be designed to encourage Program Administrators to pursue all available cost-effective energy efficiency; (2) be designed to

encourage energy efficiency programs that will best achieve the Commonwealth's energy goals; (3) be based on clearly defined goals and activities that can be sufficiently monitored, quantified, and verified after the fact; (4) be available only for activities in which the Program Administrator plays a distinct and clear role in bringing about the desired outcome; (5) be as consistent as possible across all electric and gas Program Administrators, with clear justification for any deviations across distribution companies; and (6) avoid any perverse incentives. Guidelines § 3.6.2. Further, the Guidelines provide that ratepayer costs for performance incentives should be as low as possible while still providing appropriate incentives for the Program Administrators. Guidelines §§ 3.6.2, 3.6.3.

B. Program Administrators Proposal[119]

1. Performance Incentive Mechanism

The Program Administrators[120] propose to implement a performance incentive mechanism for each year of the Three-Year Plan term (Statewide Plan, Exh. 1, at 73, App. R (Rev.)). The Program Administrators propose a statewide performance incentive budget equal to $190 million, including $113.7 million for the electric Program Administrators and $76.3 million

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119 The Program Administrators' proposal to earn performance incentives on statewide electrification pool activities is addressed in Section VII, above.

120 The Compact does not receive a performance incentive. D.P.U. 08-50-A at 51. Accordingly, all references to "Program Administrators" in this section do not include the Compact's planned performance in the calculation of benefits or costs.

for the gas Program Administrators, expressed in 2025 dollars (Statewide Plan, Exh. 1, at 74; App. R (Rev.) at 1-2).[121]

The Program Administrators submit that the proposed incentive mechanism uses a benefits-based construct similar in form to that of the prior performance incentive model approved by the Department for the 2022-2024 Three-Year Plans, but with a greater emphasis on equity and additional requirements for earning incentives beyond the design level (Statewide Plan, Exh. 1, at 73). For the 2025-2027 Three-Year Plan term, the Program Administrators propose a performance incentive mechanism structure comprising the following: (1) an equity component; (2) a standard component; and (3) a value component (Statewide Plan, Exh. 1, at 73). In addition, the Program Administrators propose to discontinue the electrification component approved as part of the 2022-2024 Three-Year Plans (Statewide Plan, Exh. 1, App. R (Rev.); see, e.g., Exh. NG-Gas-2, at 46).[122]

The Program Administrators propose to collect performance incentive dollars through each component at predetermined common payout rates, subject to thresholds, caps, and requirements for earning incentives beyond the design level (Statewide Plan, Exh. 1, at 74-76; App. R (Rev.)). Pursuant to Guidelines § 3.6.4.1, the Program Administrators are permitted to collect design performance incentive payments during the Three-Year Plan term, based on

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[121] The proposed statewide budget is $190,000,000 when stated in 2025 dollars and $196,667,959 when nominal annual budgets are summed for the 2025-2027 Three-Year Plan term (Statewide Plan, Exh. 1, App. C (Rev.) – Statewide, Table IV.C & App. R (Rev.) at 1).

[122] The Department-approved performance incentive mechanism for the 2022-2024 Three-Year Plans term contained an electrification component. 2022-2024 Three-Year Plans Order, at 200.

projected performance. The design level performance payments are calculated as 100 percent of a Program Administrator's projected benefits and net benefits multiplied by the appropriate payout rate (Statewide Plan, Exh. 1, at 72 n.63).[123] As discussed further below, the proposed payout rates, thresholds, and caps vary for each component, but are the same for each Program Administrator for each year of the Three-Year Plan term (Statewide Plan, Exh. 1, at 75-76, Fig. 19; App. R (Rev.)).

The Program Administrators propose a mechanism for earning more than their design-level performance incentive if a Program Administrator achieves 100 percent of design level performance for that component and certain goals related to that component (Statewide Plan, Exh. 1, at 74-75). The Program Administrators propose a cap of 125 percent of design level performance for performance incentives (Statewide Plan, Exh. 1, at 75-76, Fig. 19).[124]

2. Equity Component

The proposed equity component comprises benefits realized from measures delivered to low- and moderate-income customers, customers served through the Small Business Turnkey

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[123] The Program Administrators define design level performance as "100 percent of each [Program Administrator's] projected benefits and net benefits multiplied by the appropriate payout rate" (Statewide Plan, Exh. 1, at 72 n.63). The Department interprets this statement to mean that the Program Administrators propose (1) design level performance will be based on benefits and net benefits achieved, while (2) the design level performance payment will be based on the design level performance multiplied by the payout rate.

[124] The Program Administrators do not specify whether they intend that the cap be applied to each component of the performance incentive mechanism or to the total portfolio of performance incentives (Statewide Plan, Exh. 1, at 75-76, Fig. 19).

Retrofit core initiative, and programs for renters[125] (Statewide Plan, Exh. 1, at 73-74). The Program Administrators propose to allocate approximately $95 million from the $190 million statewide incentive budget (i.e., 50 percent) to the equity component of the performance incentive mechanism, including $56.8 million for the electric Program Administrators and $38.2-million for the gas Program Administrators (Statewide Plan, Exh. 1, at 74; App. R (Rev.) at 1-3).

The Program Administrators propose the same payout rate of $0.0226 for both gas and electric Program Administrators for the equity component (Statewide Plan, Exh. 1, App. R, at 1 (Rev.); Exh. DPU-Comm 10-4). The Program Administrators calculated the equity component payout rate by dividing the dollar amount of the equity incentive component by the dollar amount of planned equity benefits (i.e., $95,000,000/$4,196,262,780=$0.0226) (Statewide Plan, Exh. 1, App. R (Rev.) at 1). The Program Administrators propose to start earning an incentive once equity benefits achieved exceed 65 percent of planned equity benefits over the Three-Year Plan term (Statewide Plan, Exh. 1, at 74).

Finally, the Program Administrators propose to earn more than their design-level performance incentive for the equity component, up to a cap, if a Program Administrator achieves: (1) 100 percent of planned equity benefits; (2) the planned number of heat pumps installed in low- and moderate-income housing units; and (3) the planned benefits from measures delivered to renters (Statewide Plan, Exh. 1, at 74-75).

[125] These programs include renters participating in the C&I Multifamily core initiative (Statewide Plan, Exh. 1, at 73-74).

The Program Administrators propose to track equity benefits in the benefit cost model showing benefits realized by low- and moderate-income customers, Small Business Turnkey Retrofit customers, and renters, including those in the C&I Multifamily program (Statewide Plan, Exh. 1, at 75).

3. Value Component

The proposed value component comprises net benefits, which are calculated as the total portfolio benefits minus total program costs (i.e., "net benefits"). For the 2025-2027 Three-Year Plan term, the Program Administrators propose to exclude certain assessment costs[126] from the calculation of net benefits as it applies to the value component (Statewide Plan, Exh. 1, at 74). The Program Administrators propose to allocate approximately $38 million, or $22.7 million for electric and $15.3 million for gas, from the statewide incentive budget to the value component of the performance incentive mechanism (Statewide Plan, Exh. 1, App. R (Rev.) at 1-3). The Program Administrators state that this amount is 20 percent of the statewide performance incentive budget (Statewide Plan, Exh. 1, at 74).

The Program Administrators propose a payout rate of $0.0044 for both electric and gas Program Administrators for the value component (Statewide Plan, Exh. 1, App. R (Rev.) at 1). The Program Administrators calculated the payout rate by dividing the performance incentive allocated to the value component by net benefits (i.e., $38,000,000/$8,546,642,156=$0.0044) (Statewide Plan, Exh. 1, at 74, App. R (Rev.) at 1).

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126 Specifically, the Program Administrators propose to exclude costs associated with DOER assessment, the DOER and Attorney General assessments for outside consultants, and MassCEC's workforce development assessment (Statewide Plan, Exh. 1, at 74 n.79). These costs are discussed further in Section V, above.

Under the proposal, a Program Administrator will start earning the incentive once the actual net benefits exceed 75 percent of planned net benefits over the 2025-2027 Three-Year Plan term (Statewide Plan, Exh. 1, at 74). The Program Administrators propose to earn more than their design-level performance incentive for the value component, up to a cap, if a Program Administrator achieves: (1) greater than 100 percent of its planned net benefits; and (2) a ratio of total non-incentive portfolio spending, excluding assessments, to total planned portfolio benefits that is equal to or less than what it included in its plan (Statewide Plan, Exh. 1, at 75).

4. Standard Component

The proposed standard component comprises statewide total benefits less the equity benefits described above (Statewide Plan, Exh. 1, at 74). The Program Administrators propose to allocate approximately $57 million from the statewide incentive budget to the standard component of the performance incentive mechanism, including $34.1 million for the electric Program Administrators and $22.9 million for the gas Program Administrators (Statewide Plan, Exh. 1, at 74; App. R (Rev.), at 1-3). The Program Administrators state that this amount is 30 percent of the proposed incentive budget (Statewide Plan, Exh. 1, at 74).

The Program Administrators propose a payout rate of $0.0065 for the standard component (Statewide Plan, Exh. 1, App. R (Rev.) at 1). The Program Administrators calculated the standard component payout rate by dividing the dollar amount of the standard incentive component by the dollar amount of planned standard benefits (i.e., $57,000,000/$8,782,970,240=$0.0065) (Statewide Plan, Exh. 1, at 74, App. R (Rev.) at 1).

Under the proposal, a Program Administrator may start earning the incentive once the standard benefits exceed 60 percent of the planned standard benefits for the term (Statewide

Plan, Exh. 1, at 74). The proposed threshold earning for the standard component is based on the entire portfolio of benefits, not just the standard benefits (Statewide Plan, Exh. 1, at 74).

In addition, the Program Administrators indicate that they propose to include equity benefits in the standard component threshold to provide an incentive to pursue these benefits in circumstances where the delivery of non-equity benefits is below what was planned (Statewide Plan, Exh. 1, at 74). The Program Administrators state, however, that the payout rate and incentives earned will only apply to standard benefits (i.e., non-equity benefits), so the Program Administrators earn incentives on equity benefits only once (Statewide Plan, Exh. 1, at 74).

The Program Administrators propose to earn more than their design level performance incentive for the standard component, up to a cap, if a Program Administrator achieves: (1) 100 percent of the planned standard benefits, (2) planned C&I benefits, other than benefits from the Small Business Turnkey Retrofit initiative, and (3) planned Small Business Turnkey Retrofit initiative benefits (Statewide Plan, Exh. 1, at 74-75).

5. Discontinuation of Electrification Component

The Program Administrators do not propose to include an electrification component in the performance incentive mechanism for the 2025-2027 Three-Year Plan term (Statewide Plan, Exh. 1, at 73; App. R (Rev.); see, e.g., Exhs. NG-Gas-2, at 46; DPU-Comm 10-4). The Program Administrators indicate that an electrification component was included in the Department-approved performance incentive mechanism for the 2022-2024 Three-Year Plan term because it was the first time they pursued electrification on a broad scale and across all fuels and sectors (Exh. DPU-Comm 10-4). The Program Administrators state that electrification measures are central to achieving the GHG emissions reduction and benefits targets over the

2025-2027 Three-Year Plan term and, therefore, they no longer require a separate incentive (Exh. DPU-Comm 10-4).

C. Positions of the Parties

1. Program Administrators

The Program Administrators contend that their proposed performance incentive mechanism is consistent with the Department's design Guidelines and, in particular, all required actions are easily verifiable and objective (Program Administrators Brief at 75-76). The Program Administrators maintain that the proposed performance incentive mechanism is similar to the Department-approved mechanism for the 2022-2024 Three-Year Plan term, but with a greater emphasis on equity and new requirements for earning incentives beyond the design level (Program Administrators Brief at 70).

The Program Administrators argue that the proposed performance incentive mechanism is appropriately designed to encourage them to pursue all available cost-effective energy efficiency because all cost-effective measures will earn an incentive (Program Administrators Brief at 76). The Program Administrators further contend that the proposed payout rates will be consistent across Program Administrators because the Three-Year Plans emphasize achievement of GHG emissions reductions by both electric and gas Program Administrators and incentives will be available only for activities where the Program Administrator has played a clear and distinct role (Program Administrators Brief at 76).

Finally, the Program Administrators argue that their proposal to earn greater than design-level incentives in each component when certain requirements are met does not constitute improper "performance metrics" (Program Administrators Brief at 75). First, the Program

Administrators assert that: (1) achievement of the identified requirements is not necessary for a Program Administrator to earn the design-level incentive; and (2) achievement of the requirements, in and of themselves, will not lead to the payment of an additional incentives (Program Administrators Brief at 75). Second, the Program Administrators assert that, unlike prior proposed metrics, this proposal will not add to the regulatory burden because: (1) the proposed requirements are already tracked for other purposes; and (2) satisfaction of the requirements is easily verifiable, based on objective criteria (Program Administrators Brief at 75).

2. Attorney General

The Attorney General maintains that the performance incentive mechanism as proposed meets the Department's requirements for performance incentives (Attorney General Brief at 23). The Attorney General argues that that the proposed mechanism is modeled on prior Department-approved mechanisms that have been found appropriate to encourage the Program Administrators to pursue all available cost-effective energy efficiency (Attorney General Brief at 24). In addition, The Attorney General argues that together, the three components of the proposed mechanism will provide the Program Administrators with the appropriate incentives to achieve the Commonwealth's goals (Attorney General Brief at 23).

The Attorney General further argues that the proposed performance incentive mechanism is based on clearly defined, quantifiable, and verifiable goals (Attorney General Brief at 23). The Attorney General maintains that the proposed mechanism employs the same benefits that the Program Administrators use for planning and tracking delivery of energy efficiency measures. The Attorney General argues that this demonstrates that the proposed mechanism is

appropriately tied to each individual Program Administrator's distinct and clear role in bringing about desired outcomes (Attorney General Brief at 23). Finally, the Attorney General argues that the design of the three components of the mechanism and the proportion of the proposed incentive budget allocated to each avoids perverse incentives (Attorney General Brief at 23-24).

3. Department of Energy Resources

DOER argues that the proposed performance incentive mechanism is consistent with Department Guidelines and precedent, and will appropriately support the Program Administrators' achievement of equity and GHG emissions reduction goals (DOER Brief at 37-38, citing Statewide Plan, Exh. 1, at 73-76). DOER maintains that the proposed incentive mechanism is designed to direct the Program Administrators' efforts towards low- and moderate-income customers and renters (DOER Brief at 38). In addition, DOER asserts that the design of the proposed standard component supports non-equity aspects of the Three-Year Plans and provides an incentive for the Program Administrators to achieve planned outcomes for the C&I sector (DOER Brief at 39).

DOER argues that the proposed value component, which provides an incentive for the Program Administrators to implement energy efficiency programs in a cost-effective and cost-efficient manner, works together with the other components of the mechanism to balance the competing objectives of lowering costs-to-achieve and prioritizing decarbonization efforts (DOER Brief at 39-40). Finally, DOER argues that the proposed performance incentive mechanism is: (1) appropriately based on clearly defined goals and activities that can be sufficiently monitored, quantified, and verified after the fact; and (2) designed to avoid perverse incentives (DOER Brief at 40).

4. Conservation Law Foundation

CLF argues that the proposed performance incentive mechanism generally satisfies the statutory mandate to prioritize equity (CLF Brief at 44-45, citing Statewide Plan, Exh. 1, at 73-75). In addition, CLF argues that, with the exception of performance incentives related to the proposed statewide electrification pool, the proposed performance incentive mechanism complies with the Department's Guidelines (CLF Brief at 44-45).[127,128]

D. Analysis and Findings

1. Proposed Budget

As described above, the Program Administrators propose to implement a performance incentive mechanism that contains an equity component, a standard component, and a value component, each with certain conditions that must be met to earn performance incentives (Statewide Plan, Exh. 1 at 73-76). The Program Administrators propose a total budget of approximately $190 million for the performance incentive mechanism, including $113.7 million for the electric Program Administrators and $76.3 million for the gas Program Administrators (Statewide Plan, Exh. 1 at 74, App. R (Rev.)). The Program Administrators further propose to adopt the same incentive payout rates for the electric and gas Program Administrators (Statewide Plan, Exh. 1, App. R (Rev.)). In this regard, the Program Administrators maintain that it is appropriate to align payout rates between gas and electric Program Administrators because they

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[127] CLF's arguments regarding performance incentives related to the proposed statewide electrification pool are summarized in Section VI, above.

[128] Acadia adopts CLF's position (Acadia Response to Briefing Questions at 1).

are subject to the same statutory mandate to pursue GHG emissions reductions (Exh. DPU-Comm 10-4, at 2).

The Department has found that performance incentives should provide an appropriate level of reward for the successful implementation of a Three-Year Plan. 2022-2044 Three-Year Plans Order, at 192-193. However, as described above, the amount of funds available for performance incentives should be kept as low as possible to minimize the costs to electricity and gas customers, while still providing appropriate incentives for the Program Administrators. Guidelines §§ 3.6.2, 3.6.3.

For the 2022-2024 Three-Year Plans, the Department approved a performance incentive mechanism with a total budget equaling approximately 4.7 percent of the electric Program Administrators' budgets and 3.1 percent of the gas Program Administrators' budgets. 2022-2024 Three-Year Plans Order, at 193. In the instant Three-Year Plans, the Program Administrators propose a performance incentive mechanism with a total budget equal to approximately 3.9 percent of the gas and electric Program Administrators' total budgets (Statewide Plan, Exh. 1 at 47, 74).

The proposed statewide performance incentive budget as a percentage of the Program Administrators' total budgets is consistent with the statewide performance incentive budgets in previous three-year plans. See, e.g., 2022-2024 Three-Year Plans Order, at 193; 2019-2021 Three-Year Plans Order, at 88. No party objected to the Program Administrators' proposed performance incentive budget. After review, the Department finds that the Program Administrators have minimized the budget for performance incentives, while still providing appropriate incentives for the Program Administrators to achieve the Three-Year Plan goals

(Statewide Plan, Exh. 1, at 71-76, App. R (Rev.); Exh. DPU-Comm 10-4; Guidelines §§ 3.6.2, 3.6.3).

2. Equity Component

The equity benefits in the proposed Three-Year Plans are approximately $4.2 billion, an increase from $1.4 billion in the 2022-2024 Three-Year Plans (Statewide Plan, Exh. 1, App. R (Rev.); 2022-2024 Three-Year Plans Order, Statewide Plan, Exh. 1, App. S (Rev.)). The Program Administrators propose to continue to employ an equity component in their performance incentive mechanism but to increase the percentage weight of this component to account for the enhanced equity goals (Statewide Plan, Exh. 1, at 73). Specifically, the Program Administrators propose to allocate 50 percent of the total performance incentive budget to the equity component, up from 17.9 percent in the 2022-2024 Three-Year Plans (Statewide Plan, Exh. 1, 74-75, Fig.19). See, e.g., NSTAR Electric Company, D.P.U. 21-129, Compliance Filing, Addendum, Att. 6 (Rev.) (April 1, 2022). In addition, the Program Administrators propose to lower the threshold to earn equity-component incentives, from 85 percent to 65 percent of design-level equity benefits (Statewide Plan, Exh. 1, at 7). The Program Administrators argue that these proposed changes are appropriate because it will be more difficult for them to attain the enhanced equity goals in the Three-Year Plans (Exh. DPU-Comm 10-4, at 1-2).

The Department previously has determined that any equity component must include specific goals that are sufficiently defined so that the Department can adequately monitor, quantify, and verify a Program Administrator's performance as it relates to achieving equity benefits. 2022-2024 Three-Year Plans Order, at 195-196. The Department finds that the

Program Administrators have sufficiently defined the goals and activities necessary to earn incentives for the equity component (Statewide Plan, Exh. 1, at 73-75, App. R (Rev.)).

Significant and sustained efforts will be required of the Program Administrators over the three-year term to successfully deliver equity benefits at the required levels (Statewide Plan, Exh. 1, at 73-75, App. R (Rev.)). After review, the Department finds that the proposed equity component will provide an appropriate incentive for the Program Administrators to overcome participation barriers and undertake activities that they otherwise would not absent a performance incentive. 2022-2024 Three-Year Plans Order, at 197; 2019-2021 Three-Year Plans Order, at 96; D.P.U. 13-67, at 10. In addition, the Department finds that the proposed equity component is appropriately designed to encourage the pursuit of all cost-effective energy efficiency opportunities, where available. G.L. c. 25, §§ 19(a), 19(b), 21(a), 21(b)(1), 21(b)(2), 21(d)(2); Guidelines § 3.6.2. Accordingly, the Department approves the equity component of the proposed performance incentive mechanism. The statewide incentive budget for the equity component shall be $95 million, and the threshold for achieving a performance incentive through the equity component shall be 65 percent of planned benefits for this component.

3. Value Component

The Program Administrators propose to continue the value component of the performance incentive mechanism (Statewide Plan, Exh. 1 at 73-74; see, e.g., Exh. FGE-2-Gas at 46). The Program Administrators propose to allocate 20 percent of the total performance incentive budget to the value component, down from 30 percent in the 2022-2024 Three-Year Plans (Statewide Plan, Exh. 1 at 74). 2022-2024 Three-Year Plans Order, at 206. In addition, the Program Administrators propose that the threshold to earn value-component incentives will

be 75 percent of planned portfolio benefits (Statewide Plan, Exh. 1, at 76). Finally, the Program Administrators propose to exclude assessment costs (i.e., DOER assessment, DOER and Attorney General assessments for outside consultants, and MassCEC workforce development assessment) from the calculation of the value component (Statewide Plan, Exh. 1, at 74 & n.79). The Program Administrators argue that they have no control over these assessment costs and, therefore, it is appropriate to remove them from the value component calculation (Program Administrators Brief at 72).

The value component is a central element of the energy efficiency performance incentive mechanism.[129] The value component is designed to encourage the Program Administrators to pursue energy efficiency programs that maximize net benefits. 2010-2012 Gas Three-Year Plans Order, at 109-110; 2010-2012 Electric Three-Year Plans Order, at 101-102. To ensure that the Program Administrators focus on cost efficiency as well as cost effectiveness, the Department has determined that it is appropriate to tie achievement of performance incentives to the delivery of cost-effective programs. 2019-2021 Three-Year Plans Order, at 97-98.

To ensure that the Program Administrators have a clear incentive to minimize administrative costs when implementing the Three-Year Plans, the Department has found that the Program Administrators must include a value component in all performance incentive mechanisms. 2022-2024 Three-Year Plans Order, at 189. In addition, to ensure that the

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[129] All previous three-year plans have included a value component in their performance incentives. 2022-2024 Three-Year Plans Order, at 186-189, 203-204; 2019-2021 Three-Year Plans Order, at 91-92; 2016-2018 Three-Year Plans Order, at 67-68; 2013-2015 Three-Year Plans Order, at 98; 2010-2012 Gas Three-Year Plans Order, at 101-102; 2010-2012 Electric Three-Year Plans Order, at 114.

Program Administrators have an adequate incentive to pursue net benefits, the Department found that the Program Administrators should allocate no less than 30 percent of the total incentive budget to the value component. 2022-2024 Three-Year Plans Order, at 206.

The design of the proposed value component is substantially similar to the Department-approved value component for the 2022-2024 Three-Year Plan term. 2022-2024 Three-Year Plans Order, at 206. However, the Program Administrators propose to reduce the relative weight of the value component as a percentage of the statewide performance incentive budget from 30 percent to 20 percent (Statewide Plan, Exh. 1, at 2, 76). The Program Administrators maintain that this proposed adjustment reflects the enhanced focus on equity in the Three-Year Plans, which they claim will require higher spending per unit of savings than prior plans (Program Administrators Brief at 73; see, e.g., Exh. FGE-Gas-2, at 45).

The Department acknowledges and supports the significant equity goals in these Three-Year Plans (as evidenced, in part, by our approval above of an equity component that is 50 percent of the total performance incentive budget). At the same time, the Program Administrators must maintain an appropriate focus on their obligation to minimize administrative costs and deliver the programs in a cost-efficient manner. 2022-2024 Three-Year Plans Order, at 206. This is particularly true given the substantial increase in proposed budgets as compared to the prior term.[130] After review, the Department finds that the Program Administrators' proposal to lower the weight of the value component from 30 percent to

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[130] As described above, 2022-2024 Three-Year Plans had a planned statewide budget of $3.95 billion. 2022-2024 Three-Year Plans Order, at 206; Statewide Plan, Exh. 1, App. A.1.3, Fig. A-5. The current Three-Year plans have a proposed statewide budget of approximately $5 billion (Statewide Plan, Exh. 1, App. C. (Rev.), Table IV.C.1).

20 percent of the total performance incentive budget is not sufficient to incentivize the Program Administrators to minimize costs. Instead, to ensure that the Program Administrators have an adequate incentive to control administrative costs and implement their energy efficiency programs in a cost-effective and cost-efficient manner, the Program Administrators shall allocate 30 percent of the total incentive budget to the value component. As described below, the Program Administrators shall adjust the allocation of the total incentive budget and payout rates for the standard component as needed to incorporate this change.

Finally, no party objected to the Program Administrators' proposal to exclude assessment costs from the calculation of net benefits in the value component. The Program Administrators do not have control over these assessment costs and they do not directly result in savings. Accordingly, the Department finds that it is appropriate to exclude these non-controllable assessment costs from the calculation of net benefits in the value component.

The Department approves the value component of the proposed performance incentive mechanism, as modified above. The statewide incentive budget for the value component shall be $57 million, and the threshold for achieving a performance incentive through the equity component shall be 75 percent of planned portfolio net benefits.

4. Standard Component

The Program Administrators propose to allocate approximately 30 percent of the statewide performance incentive budget to this component (Statewide Plan, Exh. 1, at 74, App. R (Rev.) at 1). The Program Administrators propose to earn an incentive for this component once standard benefits have surpassed a threshold of 60 percent of planned benefits for the Three-Year Plan term (Statewide Plan, Exh. 1, at 74). This proposed threshold is based on the entire

portfolio of benefits and not just benefits within the standard component (Statewide Plan, Exh. 1, at 74). The Program Administrators further propose to exclude equity benefits from incentives earned in the standard component, so that the Program Administrators earn incentives on equity benefits only once (Statewide Plan, Exh. 1, at 74). The Program Administrators argue that this threshold design will encourage them to pursue equity benefits even if the delivery of non-equity benefits is below what is planned (Program Administrator Brief at 73).

The Department has found that a standard component serves a similar function to the savings components included in prior three-year plans and, therefore, is an essential element of a well-designed performance incentive mechanism. 2022-2024 Three Year Plans Order, at 202, citing 2019-2021 Three-Year Plans Order, at 77-78; 2016-2018 Three-Year Plans Order, at 57-58; 2013-2015 Three-Year Plans Order, at 92-93; 2010-2012 Gas Three-Year Plans Order, at 82-83; 2010-2012 Electric Three-Year Plans Order, at 95-96. After review, the Department finds that the proposed standard component is designed to avoid any perverse incentives and is consistent across electric and gas Program Administrators. Guidelines § 3.6.2. Accordingly, the Department approves the inclusion of the standard component, as modified herein, in the proposed performance incentive mechanism.

As discussed in Section VII.D.5, the Department increased the proportion of the statewide incentive budget allocated to the value component from 20 percent to 30 percent. The Program Administrators shall make a corresponding adjustment to the proportion of the statewide incentive budget dedicated to the standard component from 30 percent to 20 percent. Accordingly, the statewide incentive budget for the standard component shall be $38 million.

The Program Administrators shall recalculate the payout rate using the adjusted standard component incentive amount.

5. Incentive Caps

The Program Administrators propose to allow each Program Administrator to earn performance incentives up to and above design level, capped at an incentive payment of 125 percent of design level (Statewide Plan, Exh. 1, at 74-75). To earn greater than design level incentive payments in each component, a Program Administrator must achieve certain goals specific to that component (Statewide Plan, Exh. 1, at 74-75).[131]

The Program Administrators argue that these goals are not "performance metrics" of the type previously rejected by the Department because: (1) goal achievement is not required to earn the design-level incentive; and (2) goal achievement on its own will not lead to additional performance incentives (Program Administrators Brief at 69-70, 75, citing Order on Performance Incentive Metrics, D.P.U. 13-67, at 13 (2014); Statewide Plan, Exh. 1, at 72; see, e.g.,

[131] Specifically, to earn more than the design level for the equity component, a Program Administrator must achieve: (1) greater than 100 percent of planned equity benefits; (2) the planned number of heat pumps installed in low- and moderate-income housing units; and (3) the planned benefits from measures delivered to renters (Statewide Plan, Exh. 1, at 75-76). To earn more than the design level for the value component, a Program Administrator must achieve: (1) greater than 100 percent of its planned net benefits; and (2) a ratio of total non-incentive portfolio spending (excluding assessments) to total planned portfolio benefits that is equal to or less than what is included in the Program Administrator's Three-Year Plan (Statewide Plan, Exh. 1, at 75-76). To earn more than the design level for the standard component, a Program Administrator must achieve: (1) greater than 100 percent of planned standard benefits, (2) planned C&I benefits, other than benefits from the Small Business Turnkey Retrofit initiative; and (3) planned Small Business Turnkey Retrofit initiative benefits (Statewide Plan, Exh. 1, at 75-76).

Exh. FGE-2-Gas at 46).[132] Finally, the Program Administrators argue that this proposal will not add to the Department's regulatory burden because achievement of the proposed goals: (1) will be easily verifiable and objective; and (2) will be tracked and reported for other purposes (Program Administrators Brief at 75; Statewide Plan, Exh. 1, at 72; see, e.g., Exh. FGE-2-Gas at 46). For these reasons, the Department accepts that the Program Administrators' proposed threshold goals to unlock greater than design level incentive payments in each component are not performance metrics of the type rejected by the Department in D.P.U. 13-67.

The Program Administrators did not specify whether they intend the proposed incentive cap of 125 percent design-level performance to apply at the component level or the portfolio level (Statewide Plan, Exh. 1, at 75-76). The Department previously found that it is appropriate to ensure parallel cost containment for each component of the performance incentive mechanism. 2022-2024 Three-Year Plans Order, at 207. Therefore, the Department finds that the Program Administrators shall apply the 125 percent design-level incentive cap to each component of the performance incentive mechanism. Accordingly, the Department approves the Program Administrators' proposal to earn performance incentives above the design-level incentive payment for the equity, standard, and value components capped at 125 percent of design level for each component.

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[132] In D.P.U. 13-67, at 14-15, the Department found that it was no longer appropriate for a performance incentive mechanism to include performance metrics to reward the Program Administrators to undertake specific actions or meet specific goals because: (1) under the Green Communities Act, the Program Administrators are obligated to undertake metric-driven activities; and (2) the Department found, from prior experience, that tracking and verifying performance metrics would divert focus from the successful implementation of the three-year plans.

6. Discontinuation of Electrification Component

The Program Administrators do not include an electrification component in the proposed performance incentive mechanism (Statewide Plan, Exh. 1, at 73; App. R (Rev.); see, e.g., Exhs. FGE-Gas-2, at 44; DPU-Comm 10-4). The Program Administrators maintain that the discontinuance of an electrification component is appropriate because electrification measures are central to the achievement of the GHG emissions reductions and benefits targets over the Three-Year Plan term and, therefore, they no longer require a separate incentive (Exh. DPU-Comm 10-4). The Attorney General agrees and argues that a separate electrification component is unnecessary because the Program Administrators have an inherent incentive to pursue electrification measures through the equity and standard components of the performance incentive mechanism (Attorney General Brief at 21).

For the 2022-2024 Three-Year Plan term, the Department found that an electrification component: (1) provided a necessary incentive for the Program Administrators to achieve benefits from strategic electrification measures; (2) was consistent with the Commonwealth's energy policies; and (3) encouraged the pursuit of all cost-effective energy efficiency opportunities. 2022-2024 Three-Year Plans Order, at 197, 199, 201. The Department finds that discontinuation of a separate electrification component, as proposed by the Program Administrators, is appropriate because electrification measures are central to the achievement of GHG emissions reductions goals over the Three-Year Plan term and no longer warrant a separate component in the performance incentive mechanism.

7. Conclusion

The Department approves the proposed equity, value, and standard components of the Program Administrators' proposed performance incentive mechanism, subject to the modifications and directives contained herein. In addition, the Department approves the Program Administrators' proposal to earn performances incentives above the design level where certain goals are met, capped at a 125 percent of the design level for each component. Finally, subject to the reallocation between the value and standard components as specified herein above and subject to our determination in Section IX, below, the Department approves the Program Administrators' proposed statewide incentive budget.

Consistent with Department precedent, if a program is not cost effective over the term, the Program Administrators shall remove performance incentives for the associated non-cost-effective core initiatives included in the non-cost-effective program. 2022-2024 Three-Year Plans Order, at 208; 2019-2021 Three-Year Plans Orders, at 98-99; D.P.U. 18-110-A through D.P.U. 18-115-A and D.P.U. 18-117-A through D.P.U. 18-119-A at 16.

VIII. DATA REPORTING AND KEY PERFORMANCE INDICATORS

A. Introduction

During the Three-Year Plan term, the Program Administrators propose to make program-related data more accessible to stakeholders and the public (Statewide Plan, Exh. 1, at 275-278). In particular, the Program Administrators propose to make certain enhancements to: (1) the Mass Save Data database; (2) Community First Partnership data sharing; and (3) data dashboards (Statewide Plan, Exh. 1, at 279-285). In addition, the Program Administrators

included updated KPI as part of the Three-Year Plans (Statewide Plan, Exh. 1, at 286-288, App. I).

B. Program Administrators Proposal

1. Mass Save Data

The Mass Save Data database includes data related to participants, expenditures, savings (annual, lifetime, electric capacity), and benefits at the sector, program, initiative, and measure levels (Statewide Plan, Exh. 1, at 280). Data on savings, usage, and incentives are also presented by county, town, and ZIP code (Statewide Plan, Exh. 1, at 280). The Program Administrators propose to implement several enhancements to Mass Save Data. Specifically, the Program Administrators propose to highlight key metrics on the homepage (e.g., number of weatherization jobs, number of heat pumps installed) and improved data visualization, mapping capabilities, and website organization (Statewide Plan, Exh. 1, at 282). In addition, the Program Administrators propose to align Mass Save Data with reporting requirements for KPIs to further streamline data reporting (Statewide Plan, Exh. 1, at 282). Finally, the Program Administrators propose to use Mass Save Data as a landing page to direct users to data that may be housed outside Mass Save Data (e.g., quarterly reports, U.S. Census) (Statewide Plan, Exh. 1, at 282).

2. Community First Partnership

The Program Administrators currently make certain data available to their Community First Partners through the lead vendors, including information on the number of home energy assessments, weatherization jobs, and heat pumps installed within a community (Statewide Plan,

Exh. 1, at 283). The Program Administrators[133] indicate that they have been working to implement an opt-in data sharing process whereby customers will have the option to authorize the Program Administrator to share customer-specific data directly with the Community First Partner (Statewide Plan, Exh. 1, at 283; Exh. DPU-Comm 21-7; Tr. 1 at 205-206). The Program Administrators expect this opt-in data sharing process to be in place in early 2025 (Tr. 1 at 205-206).

3. Data Dashboards

The data dashboards present customer participation and savings data in a web-based format (Statewide Plan, Exh. 1, at 284). During the Three-Year Plan term, the Program Administrators propose to update the data dashboards to include: (1) clearer visuals; (2) more efficient navigation; (3) improved filtering capabilities; and (4) improved data exportability (Statewide Plan, Exh. 1, at 285).

4. Key Performance Indicators

The Program Administrators track and report KPIs for frequently requested operational metrics and other essential data (Statewide Plan, Exh. 1, at 254, 286-287). In particular, the KPIs identified in the Three-Year Plans track and report data on: (1) GHG savings; (2) equity investments; (3) home energy assessments; (4) weatherization; (5) heat pumps; (6) time to assess; (7) equity community production; (8) C&I studies; (9) C&I custom; (10) small business weatherization; (11) weatherization and heat pump production by ZIP code; (12) active demand

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133 As discussed in Section XII, below, the Compact has proposed to implement an alternative process to share data directly with its Community First Partner without requiring an opt-in authorization (Exhs. DPU-Comm 21-7; DPU-Comm 23-5).

reduction savings; (13) Community First Partnership awards by municipality; (14) supplier diversity; and (15) language access (Statewide Plan, Exh. 1, App. I). The Program Administrators indicate that they updated their KPIs for the Three-Year Plan term to make the data more accessible to stakeholders (Statewide Plan, Exh. 1, at 286-288).

The Program Administrators indicate that they have been collaborating with DOER to provide the Council, members of the public, and interested stakeholders with additional program information (Statewide Plan, Exh. 1, at 286). For example, during the Three-Year Plan term, the Program Administrators propose to: (1) publish measure-level outputs of each Program Administrator's benefit-cost models; and (2) provide ZIP code level production and incentives for major measures (e.g., weatherization and heat pump installations) (Statewide Plan, Exh. 1, at 286). In addition, the Program Administrators indicate that they will provide summary tables for frequently requested operational metrics and supplier diversity information (Statewide Plan, Exh. 1, at 254, 286-287).

The Program Administrators affirm that, as required by the 2022 Clean Energy Act, they will report additional data to the Council by municipality, including: (1) total number of customers; (2) total EES dollars paid by customers; and (3) total incentives by sector (see, e.g., Exh. NG-Electric-2, at 87). Finally, the Program Administrators propose to establish a working group with DOER and other stakeholders to streamline and improve the accessibility of reported data on an ongoing basis (Statewide Plan, Exh. 1, at 286-288).

C. Positions of the Parties

1. Program Administrators

The Program Administrators argue that their proposed Three-Year Plans satisfy all data reporting requirements of the Green Communities Act (Program Administrator Brief at 78). In addition, the Program Administrators assert that they have included a list of their updated KPIs in the Three-Year Plans as required by the Department (Program Administrator Brief at 48-49, 78). The Program Administrators argue that the KPIs contained in the proposed Three-Year Plans reflect a "careful balance of stakeholder priorities" and the cost/administrative burden of collecting such data (Program Administrators Reply Brief at 20-21).

The Program Administrators maintain that they have implemented appropriate changes to Mass Save Data to increase data sharing and transparency (Program Administrator Brief at 78). In addition, the Program Administrators assert that their proposed enhancements to data sharing processes will allow the Community First Partners to conduct more effective outreach, thereby driving increased program participation (Program Administrator Brief at 78).

Finally, regarding CLF's request that the Program Administrators include a list of equity targets in future Three-Year Plans, the Program Administrators note that they have been working with the Council to develop a list of equity targets based on the Three-Year Plans and expect that this list will be finalized as part of the Council's 2025 priorities (Program Administrators Reply Brief at 21).

2. Department of Energy Resources

DOER supports the Program Administrators' inclusion of KPIs designed to track customer requests for audits in languages other than English (DOER Brief at 27, citing Exh. 1,

App. I). In addition, DOER supports the establishment of annual KPIs to track and report on metrics related to spending on diverse suppliers (DOER Brief at 28).

3. Conservation Law Foundation

CLF argues that the Department should approve the Program Administrators' data tracking and reporting proposals (CLF Brief at 32). CLF asserts that the enhancements are critical to ensure progress toward the Commonwealth's climate and decarbonization goals (CLF Brief at 32). Further, CLF argues that making data more accessible will provide insights into where the Program Administrators should target more customer education and outreach (CLF Brief at 33). CLF urges the Program Administrators to continue to evaluate ways to make Mass Save data more accessible to the Council and the public (CLF Brief at 33).

CLF argues that the Three-Year Plans comply with the Department's directives for gas Program Administrators to track customer heat pump installations (CLF Brief at 32, citing D.P.U. 20-80-C, Order on Joint Motion for Clarification Filed by the Gas Local Distribution Companies (2024)). In addition, CLF maintains that the Program Administrators' proposed enhancements to data accessibility align with the Clean Energy Act of 2022's requirement to achieve more equitable access to Mass Save programs (CLF Brief at 33). In future Three-Year Plan filings, CLF recommends that Department require the Program Administrators to include a list of specific, measurable targets for advancing equity goals developed in collaboration with the Council (CLF Brief at 49).

D. Analysis and Findings

In their Three-Year Plans, the Program Administrators propose several enhancements to data reporting protocols including: (1) publishing measure level outputs of each Program

Administrator's benefit-cost models on a quarterly basis; (2) providing ZIP code level production and incentives for major measures, such as weatherization and heat pump installations, on a bi-annual basis; (3) providing summary tables for frequently requested operational metrics; and (4) reporting municipality-level data on an annual basis including total number of customers, total EES dollars paid by customers, and total incentives provided by the program (Statewide Plan, Exh. 1, at 274, 286-287). The Program Administrators also plan to track and report on the total number of customers indicating preference for being served in a language other than English, which DOER supports, and, of those, the number that receive assessments and weatherization by their language of preference (Statewide Plan, Exh. 1, at 287; DOER Brief at 27). The Program Administrators are engaged in active efforts to streamline the data sharing process with their Community First Partners. In addition, the Program Administrators have taken steps to improve data sharing through proposed enhancements to Mass Save Data (Statewide Plan, Exh. 1, at 285-288). The Program Administrators also intend to revamp the customer data dashboards and establish a working group with DOER, the Council, and other stakeholders regarding improved data reporting on an ongoing basis (Statewide Plan, Exh. 1, at 285-288).

CLF urges the Department to approve the Program Administrators' data tracking and reporting proposals (CLF Brief at 32). After review, the Department finds that the Program Administrators' proposed data tracking and reporting enhancements are reasonably designed to improve customer outreach and facilitate the Three-Year Plan goals. Accordingly, the Department approves the Program Administrators' data tracking and reporting proposals.

Reporting on KPIs is an essential part of the Program Administrators' strategy to minimize administrative costs to the fullest extent practicable pursuant to G.L. c. 25, §§ 19(a), (b). To this end, the Department requires the Program Administrators to identify all KPIs in their Three-Year Plan filings. 2022-2024 Three-Year Plans Order, at 149 n.105. Consistent with this directive, the Program Administrators have identified KPIs for the Three-Year Plan term, including several new KPIs (Statewide Plan, Exh. 1, App. I).

After review, the Department finds that the proposed KPIs identified the Three-Year Plans reflect an appropriate balance between stakeholder priorities and the costs of collecting such data. The Department expects that the process of reporting on these KPIs should significantly reduce the number of ad hoc data requests from the Council and others, thereby minimizing administrative costs. The Department expects that the Program Administrators will continue their efforts to make data more accessible to stakeholders and the public and report on these efforts as part of future Annual Report and Term Report filings.

IX. ENERGY EFFICIENCY PROGRAM FUNDING

A. Introduction

For electric Program Administrators, the Green Communities Act identifies four funding sources for energy efficiency programs: (1) revenues collected from ratepayers through the SBC; (2) proceeds from the Program Administrators' participation in the FCM; (3) proceeds from cap and trade pollution control programs, including but not limited to RGGI; and (4) other funding as approved by the Department, including revenues to be recovered from ratepayers through a fully reconciling funding mechanism (i.e., the EES). G.L. c. 25, §§ 19(a), 21(b)(2)(vii). In approving a funding mechanism for the electric Program Administrators, the

Department must consider: (1) the availability of other private or public funds; (2) whether past programs have lowered the cost of electricity to consumers; and (3) the effect of any rate increases on consumers. G.L. c. 25, § 19(a).

For gas Program Administrators, the Green Communities Act requires the Three-Year Plans to include a fully reconciling funding mechanism (i.e., EES) to collect energy efficiency program costs from ratepayers. G.L. c. 25, § 21(b)(2)(vii); see also G.L. c. 25, § 21(d)(2). In approving a funding mechanism for gas Program Administrators, the Department must consider the effect of any rate increases on consumers. D.P.U. 08-50-A at 56; Guidelines § 3.2.2.2.

B. Program Administrators Proposals

1. Non-Energy Efficiency Surcharge Revenues

Each electric Program Administrator projected revenues from non-EES funding sources for each year of its Three-Year Plan in the following manner: (1) projected SBC revenues calculated as the product of the statutorily mandated SBC of $0.0025 per kWh and projected sales for the applicable year; (2) projected FCM proceeds calculated as the product of the clearing prices of the FCM in the applicable year and the energy efficiency capacity that is designated by ISO-NE as an FCM capacity resource for the year;[134] and (3) projected RGGI proceeds to be distributed to the Program Administrators by DOER (Statewide Plan, Exh. 1,

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[134] The Program Administrators propose to apply all net FCM proceeds related to passive demand resources to fund the Three-Year Plans (Statewide Plan, Exh. 1, at 78). The Program Administrators estimate that approximately $100 to $200 million in FCM proceeds will be available for this purpose over the Three-Year Plan term (see, e.g., Exh. CLC-2, at 62).

at 77-79).[135] The electric Program Administrators propose to allocate SBC revenues and FCM proceeds to each customer sector in proportion to the kWh consumption of each class (Statewide Plan, Exh. 1, at 77, citing G.L. c. 25, § 19(c), Guidelines § 3.2.1.2). In addition, the electric Program Administrators propose to revise the allocation method for RGGI proceeds. Specifically, the electric Program Administrators propose to allocate RGGI proceeds in proportion to each customer sector's statewide GHG emissions reduction goals as established by the EEA Secretary, instead of by kWh sales as required by Guidelines § 3.2.1.2 (Exh. AG-Electric 1-1; Tr. 2, at 287-288).

2. Energy Efficiency Surcharge Revenues

The electric Program Administrators propose to collect the difference between the proposed budget for the applicable year and projected revenues from non-EES funding sources for that year through their EERF tariffs (Statewide Plan, Exh. 1, at 80, citing Guidelines §§ 2(9), 3.2.1.6.).[136] The gas Program Administrators propose to collect their proposed budgets for each year through their LDAF as established by their local distribution adjustment clause ("LDAC") tariffs (Statewide Plan, Exh. 1, at 80, citing Guidelines §§ 2(9), 3.2.2.).

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135 Pursuant to G.L. c. 21A § 22(c)(1), DOER distributes RGGI proceeds for specific statutory purposes. The Program Administrators estimate that approximately $150 million in RGGI proceeds will be available to fund the Three-Year Plans over the term (Statewide Plan, Exh. 1, at 79; see, e.g., Exh. CLC-2, at 62).

136 Pursuant to Cape Light Compact JPE, D.P.U. 22-137, at 38-39 (2023), the Compact will credit to ratepayers through the EERF all proceeds from its sale of renewable energy certificates and alternative energy certificates associated with its Cape and Vineyard Electrification Offering ("CVEO") (Exh. CLC-2, at 62).

3. Other Funding Sources

The Program Administrators project that they will receive approximately $71.8 million in revenues from other funding sources, including federal funding, to offset ratepayer funding during the upcoming Three-Year Plan term. These funding sources include HEAR, which will be used to offset ratepayer-provided energy efficiency funding (Exhs. DPU-Comm 1-4; DPU-Comm 22-3).[137,138] Although DOE committed the HEAR funding to DOER in September 2024, DOER has not yet received such funds and additional process is required before the Program Administrators (as subrecipients) can expend these funds during the Three-Year Plan term (Statewide Plan, Exh. 1, at 82-83; Exh. DPU-Comm 22-3; Tr. 2 at 280-281).

The Program Administrators also expect that the CAP agencies will receive a certain amount of federal Weatherization Assistance Program ("WAP") and Heating Repair and Replacement Program ("HEARTWAP") funding for use during the upcoming Three-Year Plan term (Statewide Plan, Exh. 1, at 80-84, Exh. DPU-Comm 1-6).[139] The Program Administrators

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137 The Program Administrators do not include other funding in either budgets or models, but such funding reduces the amounts collected from ratepayers through the EES (Statewide Plan, Exh. 1, at 81 n.103).

138 The Program Administrators intend to use HEAR funding to support additional barrier mitigation and electrification for low- and moderate-income customers, including renters, in designated equity communities (Statewide Plan, Exh. 1, at 82-83; Exh. DPU-Comm 1-4). Should they ultimately not receive the anticipated HEAR funds, the Program Administrators do not anticipate any impact on existing projects (Tr. 2, at 282-283).

139 CAP agencies work with the Program Administrators to provide weatherization, heating system upgrades, and other appliance upgrades to low-income customers. The CAP agencies use WAP and HEARTWAP funding to support these services (Statewide Plan,

could not identify a specific amount of such funding because, at the time of filing, the federal government had not yet authorized WAP funding beyond fiscal year 2024 and HEARTWAP funding beyond fiscal year 2025 (Exh. DPU-Comm 22-2; Tr. 2, at 283-284). Therefore, the Program Administrators factored a "typical" amount of these outside funds into the proposed low-income budgets for the Three-Year Plan term (Exh. DPU-Comm 1-6).

In addition to the funding sources described above, the Program Administrators state that they will actively pursue additional sources of other funding to offset ratepayer costs during the Three-Year Plan term (Statewide Plan, Exh. 1, at 80-81). For example, the Program Administrators state that they intend to explore potential new funding sources enabled by DOER's Clean Peak Standard program to offset the EES (Statewide Plan, Exh. 1, at 84).[140,141] The Program Administrators also propose to convene a working group with DOER, the Attorney

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Exh. 1, at 84). In the event the anticipated WAP and HEARTWAP funding is not authorized for the Three-Year Plan term, the Program Administrators will work with the CAP agencies to assess the impact of this funding loss on planned projects (Tr. 2 at 284).

[140] In particular, the Program Administrators anticipate that under the Clean Peak Standard program, they may be eligible to sell certificates associated with the dispatch of residential devices participating in the ConnectedSolutions program (Statewide Plan, Exh. 1, at 84). The Program Administrators estimate that such revenues could equal $2.4 million over the Three-Year Plan term (Statewide Plan, Exh. 1, at 84).

[141] The Program Administrators have been working cooperatively with DOER and other stakeholders to secure other private and/or public funds to complement the Three-Year Plans (Statewide Plan, Exh. 1, at 80-81). Such funding will not, however, directly offset ratepayer costs through the EES (Statewide Plan, Exh. 1, at 80-85). For example, Massachusetts is part of a regional coalition selected by EPA to receive funding to establish the New England Heat Pump Accelerator, which will be a hub to accelerate the adoption of cold-climate air-source heat pumps, heat pump water heaters, and ground-source heat pumps in single-family and multifamily residential buildings (Statewide Plan, Exh. 1, at 84).

General, and other stakeholders to identify and pursue other funding sources (see, e.g., Exh. CLC-2, at 64-65).

4. Bill Impacts

Each Program Administrator submitted bill impacts for both non-participants and participants for each year of the Three-Year Plan (see, e.g., Exh. EGMA-6).[142] To calculate bill impacts for program participants, the Program Administrators developed statewide estimates to approximate savings for each customer class (see, e.g., Exh. EGMA-6). The participant bill impacts are based on average monthly usage levels (pre-participation) over the term of the Three-Year Plan (see, e.g., Exh. EGMA-6). In response to the Department's directives in 2022-2024 Three-Year Plans Order, at 221 n.135, the Program Administrators also presented bill impacts that show the potential effect of strategic electrification on participants' electric bills (Statewide Plan, Exh. 2, Att. C.3).

C. Positions of the Parties

1. Program Administrators

The Program Administrators maintain that they have complied with all statutory and Department requirements with respect to energy efficiency program funding (Program Administrators Brief at 57-64, citing D.P.U. 08-50-D). While the Program Administrators acknowledge that the costs to deliver the unprecedented level of GHG emissions reductions in the Three-Year Plans are substantial, they argue that the resulting bill impacts are reasonable in

[142] Consistent with the Department's directives in 2022-2024 Three-Year Plans Order, at 219, n.132, each electric and gas Program Administrator provided its respective bill impact analysis in a working spreadsheet, including all formulas and linkages (see, e.g., Exh. EGMA-6).

light of the benefits received (Program Administrators Brief at 63-64). The Program Administrators further argue that they have committed to implement "robust cost controls" and "active monitoring" designed to mitigate ratepayer bill impacts (Program Administrators Reply Brief at 3, citing Tr.1, at 166).

The Program Administrators acknowledge that achieving the Commonwealth's GHG emissions reduction mandates will not be possible using ratepayer funds alone and, to this end, they assert that the proposed Three-Year Plans appropriately consider several sources of other funding (Program Administrators Brief at 63, citing Statewide Plan, Exh. 1, at 85-87). The Program Administrators assert that they intend to establish a working group with DOER, the Attorney General, and other stakeholders to pursue other energy efficiency funding, including for additional low- and moderate-income electrification efforts (Program Administrators Brief at 60-61; Program Administrators Reply Brief at 13 n.12, 30).

The Program Administrators argue that their proposal to allocate RGGI proceeds in proportion to each sector's statewide GHG emissions reduction goals (rather than kWh sales) is appropriate because the residential sector goals in the proposed Three-Year Plans are disproportionate to sales (Program Administrators Brief at 58, citing Exh. 2, at 168-169). To this end, the Program Administrators seek an exception to Guidelines § 3.2.1.2, which requires the Program Administrators to allocate RGGI proceeds to each sector in proportion to kWh sales (Program Administrators Brief at 58, 108).

Finally, the Program Administrators dispute Green Energy's assertion that the proposed Three-Year Plans inappropriately fail to consider other energy efficiency funding sources that will be enabled by DEP's forthcoming Clean Heat Standard (Program Administrators Reply

Brief at 28, see Green Energy Brief at 3-6). Instead, the Program Administrators argue that they will incorporate any applicable new energy efficiency funding sources at an appropriate time after the Clean Heat Standard is implemented (Program Administrators Reply Brief at 28-30, citing Statewide Plan, Exh. 1, at 10; Tr. 1, at 189-193).

2. Attorney General

The Attorney General asserts that these Three-Year Plans are unlike any previous energy efficiency plans, both in terms of the required level of ratepayer investment and the resulting benefits, which largely will not moderate ratepayers' bills (Attorney General Brief at 4-6). In particular, the Attorney General notes that absent any new funding sources, approximately $4.66 billion of the proposed five-billion-dollar budget for the Three-Year Plans will be collected through ratepayer bills (Attorney General Brief at 5). Given the estimated cost of the Three-Year Plans as well as what she asserts is the "real potential for budget increases" during the Three-Year Plan term, the Attorney General argues that the Program Administrators should be required to take all reasonable measures to control costs (Attorney General Brief at 4-7).

The Attorney General does not object to the electric Program Administrators' proposal to allocate RGGI funding based on expected GHG emissions reductions in each sector instead of kWh sales (Attorney General Reply Brief at 12, citing Program Administrators Brief at 58; Exh NG-Electric-2, at 171).[143] More specifically, the Attorney General argues that because

[143] The Attorney General acknowledges that her support for this revised allocation method is a shift from her earlier position in Fitchburg Gas and Electric Light Company, D.P.U. 24-47 (Attorney General Reply Brief at 12-13). In that case, the Attorney General argued that Unitil (electric)'s proposal to reallocate RGGI funding on a flat basis across customer sectors was inconsistent with the requirement of G.L. c. 25, § 19(c) to allocate energy efficiency funds to customer classes "in proportion to their contributions to those

RGGI's purpose is to reduce GHG emissions, it is reasonable to allocate RGGI funding on the basis of GHG emissions reductions, as proposed by the electric Program Administrators (Attorney General Reply Brief at 13). Conversely, the Attorney General maintains that it is not possible to trace each sector's supply source to determine its contribution: (1) because RGGI contributions are based on the carbon intensity of the electric generator; and (2) due to the complexities of basic service acquisition and the number of competitive supply offerings (including municipal aggregation offerings) (Attorney General Reply Brief at 13).

3. Department of Energy Resources

DOER acknowledges the Program Administrators' commitment to pursuing other potential funding sources to minimize the ratepayer bill impacts associated with the Three-Year Plans (DOER Brief at 13-14, citing Statewide Plan, Exh. 1, at 80-85). In addition, DOER supports the Program Administrators' establishment of a working group to identify cost savings and efficiencies related to Three-Year Plan implementation (DOER Brief at 14, citing Statewide Plan, Exh. 1, at 263).

In addition, DOER supports the Program Administrators' proposal to allocate RGGI funds in proportion to each sector's planned GHG savings rather than kWh sales, as currently required by the Guidelines (DOER Reply Brief at 2-3, citing Guidelines § 3.2.1.2). DOER argues that continuing to allocate RGGI funding by kWh sales would result in an "unfair allocation" with no foundation in the designed outcomes of each Three-Year Plan (DOER Reply Brief at 3). Conversely, DOER argues that allocating RGGI funding by planned GHG savings is

funds." See D.P.U. 24-47, Attorney General Ratepayer Impacts Comments at 2-3 (June 10, 2024).

better aligned with statutory GHG emissions reduction requirements and will help mitigate ratepayer bill impacts (DOER Reply Brief at 3, citing Exhs. EGMA-2, at 169; AG-Electric 1-1; Program Administrators Brief at 58).

4. Acadia Center

Acadia urges the Department to approve the Three-Year Plans as proposed (Acadia Brief at 1). Nonetheless, Acadia argues that "significant work" remains to obtain needed funding for these plans outside of ratepayer dollars (Acadia Brief at 1).

5. Conservation Law Foundation

CLF argues that ratepayers—particularly low- and moderate-income ratepayers—already pay high energy bills and the increased costs necessary to implement the Three-Year Plans should not fall solely on ratepayers (CLF Brief at 46). To minimize the financial burden of the Three-Year Plans, CLF asserts that the Program Administrators must prioritize the pursuit of other funding from all sources, including private capital and other non-federal sources, given what it describes as the "tenuous nature" of federal funding (CLF Brief at 46-47, citing Exh. DPU-Comm 22-2, at 2). In addition, CLF argues that the Department should require the Program Administrators to evaluate how DEP's forthcoming Clean Heat Standard could impact funding sources for the Three-Year Plans (CLF Brief at 47-48).

6. Green Energy Consumers Alliance

Green Energy asserts that the proposed Three-Year Plans will result in "significant and material" electric bill impacts largely due to programs designed to induce heat pump adoption (Green Energy Brief at 1-2, 6). Green Energy opines that while the Mass Save programs historically have achieved benefits far exceeding their costs, ratepayer funded energy efficiency

and decarbonization efforts have now reached a "critical juncture" where rates are continually increasing for the purpose of inducing electrification (Green Energy Brief at 2, 8-10). Green Energy warns that the current energy efficiency financing structure is "not sustainable" and "fast approaching a breaking point" (Green Energy Brief at 2, 8-10; Green Energy Reply Brief at 1). In addition, Green Energy maintains that the associated bill impacts have the potential to thwart the promotion of electrification (Green Energy Brief at 9-11).

Green Energy notes the significant uncertainty inherent in relying on the federal government for non-ratepayer funding (Green Energy Brief at 10-11). Green Energy argues that given increasing energy burdens, it is essential that the Program Administrators develop other energy efficiency funding sources for the current Three-Year Plan term (Green Energy Brief at 10-11). Green Energy argues that the best option in this regard is to surcharge residential oil and propane customers via the Clean Heat Standard, which it anticipates could be incorporated by the Program Administrators as an additional funding source by the end of the Three-Year Plan term (Green Energy Brief at 10-11).

7. Low-Income Energy Affordability Network

Although LEAN generally supports Green Energy's desire to levy a surcharge on residential oil and propane customers to provide other funding to support electrification, it argues that such efforts are outside of the Department's current jurisdiction (LEAN Brief at 10). In addition, LEAN argues that there is no evidence on how such a surcharge would impact low-income oil and propane customers (LEAN Brief at 3, 10, citing Exh. LI-GECA 1-1(a)). LEAN indicates its willingness to work with Green Energy to further develop "workable" proposals in this regard (LEAN Brief at 3, 10-11).

D. Analysis and Findings

1. Non-Energy Efficiency Surcharge Revenues

The electric Program Administrators anticipate that they will receive revenues through the following non-EES funding sources during the Three-Year Plan's term: (1) projected SBC revenues; (2) FCM proceeds; and (3) proceeds from RGGI (Statewide Plan at 77-79). The Department finds that each electric Program Administrator projected its SBC revenues over the Three-Year Plan term in a reasonable manner, using Department-approved methods for projecting sales over the term (Statewide Plan, Exh. 1, at 78; App. C. (Rev.), Table IV.B.1). Guidelines § 3.2.1.2. The Department also finds that each electric Program Administrator projected its FCM proceeds over the Three-Year Plan term in a reasonable manner (Statewide Plan, Exh. 1, at 78-79; App. C. (Rev.), Table IV.B.1). Guidelines § 3.2.1.2.

Finally, the Department finds that the electric Program Administrators have appropriately projected RGGI funding over the Three-Year Plan term (Statewide Plan, Exh. 1, at 79; App. C. (Rev.), Table IV.B.1). In this regard, the Department finds that the Program Administrators' proposal to allocate RGGI funds in proportion to each customer sector's combined statewide GHG emissions reduction goals (instead of kWh sales as currently specified in Guidelines § 3.2.1.2) is reasonable (Statewide Plan, Exh. 1, at 77; App. V; Exh. AG-Electric 1-1; Tr. 2, at 287-288). This alternative RGGI allocation method is supported by both the Attorney General and DOER, and the Department finds that it is better aligned with the costs to achieve the GHG emissions reduction goals of each customer sector (Attorney General Reply Brief at 12-13; DOER Reply Brief at 2-3). Pursuant Guidelines § 5, the Department grants the Program Administrators an exception to Guidelines § 3.2.1.2 to allow the alternative RGGI allocation

method. As noted above in Section III, above, and consistent with the discussion below regarding rate impacts, the electric Program Administrators should seek to achieve the EEA Secretary's GHG emissions reduction goal of 625,000 metric tons of CO_2e (Statewide Plan, Exh. 1, App. V; App. C (Rev.); Exh. AG-Electric 1-1). Accordingly, the Department approves the electric Program Administrators' proposal to allocate RGGI proceeds by each customer sector's statewide GHG emissions reduction goals as determined by the EEA Secretary. Within 30 days of the date of this Order, National Grid (electric), NSTAR Electric, and Unitil (electric) shall submit revised EERF tariffs incorporating the revised RGGI allocation method.

2. Energy Efficiency Surcharge Revenues

Pursuant to the Green Communities Act, each Three-Year Plan must include a fully reconciling funding mechanism (i.e., an EES). G.L. c. 25, § 21(b)(2)(vii); see also G.L. c. 25, § 21(d)(2). The Guidelines specify the manner in which revenue from an EES may be collected from ratepayers. Guidelines §§ 3.2.1.4, 3.2.2.

The Department finds that the electric Program Administrators' proposal to collect their projected budgets through the EES contained in their EERF tariffs is consistent with the Guidelines. Similarly, the Department finds that the gas Program Administrators' proposal to collect their projected budgets through the EES contained in their LDAC tariffs is consistent with the Guidelines.

3. Other Funding Sources

In approving an energy efficiency funding mechanism for the electric Program Administrators, the Department must consider the availability of other private or public funds. G.L. c. 25, § 19(a)(3)(ii). Although the Green Communities Act does not contain a similar

requirement for gas Program Administrators, the Guidelines require gas three-year plans to include a description of all other sources of funding that were considered to fund the energy efficiency programs. Guidelines § 3.2.2.1.

The Program Administrators are pursuing a variety of other funding sources that could offset ratepayer funding (Statewide Plan, Exh. 1, at 80-85; Exhs. DPU-Comm 1-4; DPU-Comm 1-5; DPU-Comm 1-6; see e.g., Exh. CLC-2, at 61-62). As of the date of filing of the Three-Year Plans, the Program Administrators indicated that they had received commitments for approximately $71.8 million in federal HEAR funding that, if received, will be used to offset the EES (Exhs. DPU-Comm 1-4; DPU-Comm 22-3). In addition, based on past experience, the Program Administrators projected that the CAP agencies will receive a certain amount of federal WAP and HEARTWAP funds, which could reduce required ratepayer funding during the Three-Year Plan term (Statewide Plan, Exh. 1, at 80-81, 84, Exhs. DPU-Comm 1-6; DPU-Comm 22-2).

The sources of federal funding identified by the Program Administrators will minimize the financial burden of the Three-Year Plans on ratepayers and support important electrification efforts for low- and moderate-income customers. However, as the Program Administrators and intervenors correctly note, it is far from certain as to whether any federal funding will be available during the upcoming Three-Year Plan term (Tr. 2, at 283-284; Attorney General Brief at 4-5; CLF Brief at 46-47; Green Energy Brief at 10-11). Accordingly, it is essential that the Program Administrators continue to prioritize the pursuit of other funding from all sources, including non-federal sources, to offset energy efficiency program costs for ratepayers.

To aid in these efforts, the Program Administrators intend to establish a working group with DOER, the Attorney General, and other stakeholders to further the pursuit of other energy efficiency funding ((Program Administrators Brief at 60-61; Program Administrators Reply Brief at 13 n.12, 30). The Department expects that this working group also will assist the Program Administrators in identifying and pursuing new funding sources to offset the EES and thereby reduce the amount of ratepayer funding required to finance the energy efficiency and electrification measures in the Three-Year Plans. For example, in response to concerns raised by Green Energy and CLF, the Program Administrators indicate that they are currently exploring potential new funding sources to offset the EES that may be enabled by the forthcoming Clean Heat Standard (Green Energy Brief at 6-11; CLF Brief at 47-48; Program Administrators Reply Brief at 29-30, citing Statewide Plan, Exh. 1 at 10; Tr. 1, at 189-193).

The Program Administrators shall continue to work to aggressively identify and pursue all potential sources of other funding to offset the energy efficiency program costs for ratepayers. As discussed more in Section X, below, the Department will require the Program Administrators to file with the Department quarterly reports that provide updates on the status of energy efficiency program spending as compared to approved budgets. As part of these quarterly budget reports, the Program Administrators shall include a detailed report documenting all efforts they have taken and will take to pursue outside funding to offset energy efficiency program costs for ratepayers. Such reports shall include but not be limited to a detailed description of: (1) the status of any federal funding identified by the Program Administrators to offset ratepayer funding, including HEAR, WAP, and HEARTWAP funds; (2) any activities undertaken by the Program Administrators individually and with the assistance of the working

group to pursue sources of other funding to offset ratepayer funding; and (3) the status of efforts to develop potential new funding sources to offset ratepayer funding that may be enabled by the forthcoming Clean Heat Standard. Subject to the above directives, the Department finds that the Program Administrators have adequately considered the availability of other private or public funds. G.L. c. 25, § 19(a)(3)(ii).

4. Cost to Consumers

In approving an energy efficiency funding mechanism for the electric Program Administrators, the Department must consider whether past programs have lowered the cost of electricity to consumers. G.L. c. 25, § 19(a)(3)(iii). The Department finds that participants in each Residential, Income-Eligible, and C&I sector program have experienced total annual and lifetime MMBTU savings and benefitted through lowered levels of usage. Specifically, past energy efficiency programs have lowered participating customers' bills for certain Program Administrators at medium and high savings levels. See, e.g., D.P.U. 21-128, Exh. NG-Electric-6, at 78. In addition, participants and non-participants in these programs have benefitted though reduced wholesale electricity prices and avoided investments in transmission and distribution. D.P.U. 21-120 through D.P.U. 21-129, Statewide Plan, Exh. 1, App. Q, Study 1, at 23-27; App. C.1-Electric (Rev.), Table IV.D.3.1.i; see e.g., 2023 Energy Efficiency Annual Reports, D.P.U. 24-65, 2023 AnnualReportDataTables-Berkshire, "Savings 3Yr" Tab, at lines 107-127. For example, the Department finds that past energy efficiency programs have lowered electricity costs for all consumers when avoided energy and capacity costs are

considered (Statewide Plan, Exh. 1, App. H at 21-22).[144] Accordingly, the Department finds that program participants and non-participants have benefited from lower electricity costs from past programs.

5. Bill Impacts

In our evaluation of the bill impacts from the proposed Three-Year Plans, the Department must carefully balance our priorities under G.L. c. 25, including affordability, equity, and GHG reductions. G.L. c. 25, § 1A. In a conventional bill impacts analysis, the Department focuses on a short-term perspective that isolates the effect of a proposed change in the EES; this approach is appropriate because it provides an accurate and understandable assessment of the change that will actually appear on customers' bills. 2022-2024 Three-Year Plans Order, at 219, citing D.P.U. 08-50-D at 11-12. At the same time, the Department has recognized that when considering the reasonableness of a short-term bill impact, it is also important to look at the long-term benefits that energy efficiency will provide. 2022-2024 Three-Year Plans Order, at 219, citing D.P.U. 08-50-D at 11-12. In this case, the short-term bill impacts from the proposal before us are severe.

The instant Three-Year Plans contemplate an unprecedented level of investment in energy efficiency and decarbonization measures (see Program Administrators Brief at 4; Attorney General Brief at 4). The proposed statewide budget of approximately $5 billion is approximately $1 billion more than the prior Three-Year Plans (D.P.U. 21-120 through

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144 The AESC Study found that a hypothetical energy efficiency measure installed in Massachusetts in 2024 would result in $175-235 in avoided energy costs and $30 in avoided capacity costs over a 15-year period (Statewide Plan, Exh. 1, App. H at 24).

D.P.U. 21-129, Exh. 1, at 5).[145] As described throughout this Order, these investments are projected to produce substantial climate and equity benefits including an estimated 8.3 million MWh and 1.1 billion therms in energy savings and $13.7 billion in total benefits to customers (Statewide Plan, Exh. 1, at 3). While we endorse the ambitions of these investments, they come at a substantial cost increase to ratepayers, and the Legislature has tasked the Department with considering customer bill impacts when reviewing the energy efficiency programs. D.P.U. 08-50-A at 56-58; Guidelines §§ 3.2.1.5, 3.2.1.6, 3.2.2.2; see G.L. c. 25, § 19(a).

The responsibility of weighing the bill impacts of these Three-Year Plans rests squarely with the Department and we take our responsibility as the stewards of ratepayer funds seriously. G.L. c. 25, § 19(a); G.L. c. 25, § 21; G.L. c. 25, § 22. Historically, the Council works closely with the Program Administrators on plan goals and program designs, but the Council has not directly considered bill impacts when providing advice about the design of the Three-Year Plans. Nor have the Program Administrators submitted bill impacts associated with the Three-Year Plans for stakeholder review until they were filed with the Department. At that time, intervenors, including the Attorney General and DOER, may comment on proposed bill impacts, but the Department alone is charged with ensuring that energy efficiency plans do not unduly burden ratepayers.

As noted above, the Department must consider customer bill impacts when approving the use of ratepayer funds for energy efficiency programs. G.L. c. 25, § 19(a). The Legislature has not put a cap on the total Three-Year Plan budgets. Instead, pursuant to G.L. c. 25, § 21(b)(1),

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[145] The initial statewide budget for the 2022-2024 Three-Year Plans was approximately $3.95 billion. D.P.U. 21-120 through D.P.U. 21-129, Exh. 1, at 43.

the Legislature has determined that the Three-Year Plans shall provide for the acquisition of all cost-effective energy efficiency and demand reduction resources "with the lowest reasonable customer contribution."

The bill impacts associated with the proposed Three-Year Plans are significant (see, e.g., Exh. EGMA-6). And the proposed $5 billion budget is not necessarily the final cost of the programs. Given the Commonwealth's GHG emissions reduction goals, the Program Administrators view the $5 billion budget as an initial target and indicate that they will seek budget increases, as needed, to deliver the required GHG emissions reductions. In particular, the Program Administrators anticipate filing mid-term modifications over the 2025-2027 term if customer demand is stronger than planned or if programs prove more expensive than planned (see, e.g., Exh. NSTAR-Electric-2, at 61-62).

In fact, the Program Administrators filed numerous mid-term modifications in the final year of the 2022-2024 Three-Year Plan term, as discussed in Section X below. More specifically, the Department approved 17 mid-term modifications in 2024 that increased the residential and low-income statewide budgets by approximately $356 million and decreased the C&I statewide budget by approximately $600 million. While the net effect on the total 2022-2024 Three-Year Plan budget was negative, costs are recovered on a sector-by-sector basis, and these mid-term modifications therefore resulted in significant increases in the program costs to be recovered from residential and low-income customers. Specifically, the costs of the mid-term modifications approved in 2024 will be recovered from ratepayers in 2025 and 2026, at the same time ratepayers will be required to pay a portion of the increased costs associated with 2025-2027 Three-Year Plans.

These Three-Year Plans also require the Department to consider the reasonableness of ratepayer bill impacts in the context of the significantly increased budgets. As discussed in Section III, above, the proposed statewide budget for these Three-Year Plans is approximately $1.05 billion (or 26.6 percent) higher as compared to the total budget for the 2022-2024 Three-Year Plans (Statewide Plan, Exh. 1, App. C (Rev.)).[146] The Program Administrators acknowledge that the bill impacts associated with the Three-Year Plans are "significant," but they argue the bill impacts are also "acceptable and necessary" given the GHG goals established by the EEA Secretary and the concerted focus of these Three-Year Plans on equity investments (Program Administrators Brief at 63).

The Department is particularly mindful of rate and bill impacts as the Three-Year Plans move away from traditional energy efficiency investments to focus more on decarbonization investments as mandated by the Legislature (Statewide Plan, Exh. 1, at 7-10). More specifically, investments in traditional energy efficiency programs resulted in savings on a participant's bill through reduced energy usage, as well as savings for all customers through reduced capacity and energy costs. D.P.U. 08-50-A at 58; 2022-2024 Three-Year Plans Order, at 220; 2010-2012 Electric Three-Year Plans Order, at 88; 2010-2012 Gas Three-Year Plans Order, at 74. Therefore, customers who participate in energy efficiency programs at a medium or high level are generally expected to experience lower bills, even after accounting for recovery of

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[146] This increase continues the upward trajectory of energy efficiency spending. The Program Administrators' total proposed budget for the 2022-2024 Three-Year Plans was approximately $1.2 billion (or 29.3 percent) higher than the budget for the 2019-2021 Three-Year Plans. D.P.U. 21-120 through D.P.U. 21-129, Exh. 1, at 43; D.P.U. 18-110 through D.P.U. 18-119, Exh. 1, at 6.

energy efficiency charges from ratepayers through the EES (see, e.g., NSTAR-Electric-6, Tab "Summary Participant"). However, bill savings for program participants can no longer be assumed. Customers that currently heat their homes with gas and choose to install heat pumps are likely to see their gas bills decrease and their electric bills increase (Statewide Plan, Exh. 2, Att. C.3).[147] Gas customer adoption of heat pumps occurred at a significantly higher rate than expected in the 2022-2024 Three-Year Plan term, and that trend could continue (see, e.g., NG-Electric-2, at 75). As the Attorney General recognizes, the majority of expected benefits from the Three-Year Plan are derived from the social value of GHG emissions reductions and NEIs (Attorney General Brief at 6, citing Exh. AG-Common-3-6; Statewide Plan, Exh. 1, at 63; App. C (Rev.), Tab "Benefits"). In this context, the Department is cautious about increasing ratepayer burdens when the benefits of the energy efficiency programs, while critical to meeting the Commonwealth's goals, may not be evident to customers on their bills.

As discussed in Section IX.B, above, the electric and gas Program Administrators are required to seek other funding to offset ratepayer-provided energy efficiency funds. Such other funding, when it has been available, is small in proportion to the Three-Year Plans budgets. As the Legislature has designated only limited new funding sources to support the achievement of statutorily mandated GHG reduction goals—none of which expressly offsets ratepayer funds—ratepayers bear the increased costs of the Three-Year Plans.

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147 The Program Administrators note their concern that higher electric bills could disincentivize customer adoption of electrification measures (Statewide Plan, Exh. 1, at 81).

In the current Three-Year Plans, after other funding is accounted for, approximately $4.66 billion of the $5 million proposed budget will need to be collected from ratepayers (Statewide Plan, Exh. 1, 77-85 & App. C. (Rev.), Table IV.C.1; see, e.g., Exh. NSTAR-Electric-2, at 69). We also note that a portion of this other funding is from federal government sources, and the new administration may be reneging on duly authorized commitments to the states and other entities, potentially raising costs to Massachusetts ratepayers. In addition, potential reductions to federal tax credits for heat pumps and other energy efficiency measures could reduce customers' incentive to decarbonize in the absence of corresponding increases in other incentives, including those paid for by gas and electric ratepayers. Finally, new federal tariffs imposed on foreign imports could also increase energy efficiency program costs.

When considering whether the bill impacts of the Three-Year Plans are reasonable, the Department also considers the long-term benefits that the programs will provide. See D.P.U. 08-50-D at 11-12. On a statewide basis, the Three-Year Plans are expected to provide total benefits of approximately $13.7 billion (Statewide Plan, Exh. 1, at 3). Many of these benefits are derived from GHG emissions reductions. In particular, the energy efficiency programs in the Three-Year Plans are expected to reduce statewide CO_2e emissions by more than one million metric tons annually by 2030 (Statewide Plan, Exh. 1, at 3). In addition, the Three-Year Plans are projected to deliver considerable benefit to traditionally underserved customers including renters. The Three-Year Plans include $1.3 billion in incentives paid to low- and moderate-income customers and over $615 million for renters (Statewide Plan, Exh. 1, at 3).

The Department takes particular note of the requirement that a Program Administrator must establish a "sustainable effort" in its continued delivery of energy efficiency programs.[148] The Department finds that one necessary aspect of sustainable effort is customer acceptance. In other words, if the cost of supporting the Three-Year Plans exceeds what most ratepayers are willing to accept, it is not sustainable. Currently, for a typical residential heating customer, energy efficiency costs constitute between 9.1 and 27.4 percent of residential gas bills during the winter season and between 6.7 and 16.3 percent of residential electric bills (see, e.g., Exh. NSTAR-Electric-6 (Rev.)).[149] These costs are high compared to historical levels.[150] As proposed, the 2025-2027 Three-Year Plans anticipate continued increases in energy efficiency costs, with proposed increases in bill impacts[151] from 2024 to 2027 ranging from -1.3 percent to

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[148] A Program Administrator must demonstrate that its Three-Year Plan: (1) establishes a sustainable effort in its continued delivery of energy efficiency; (2) considers new technologies and enhancements; (3) includes the results of avoided costs, potential studies, and EM&V studies; and (4) seeks to design programs to address identified barriers. Guidelines § 3.4.7; 2013-2015 Three-Year Plans Order, at 37-40.

[149] The calculation assumes R-1 residential electric rates, basic service supply, and average residential usage specific to each Program Administrator (see, e.g., Exh. NSTAR-Electric-6 (Rev.), Tabs "EMA R1" and "WMA R1").

[150] Energy efficiency costs as a percentage of total bills vary by Program Administrator but have generally increased since 2018, the last program year before strategic electrification was incorporated into the plans. For example, the average value of energy efficiency costs as a percentage of total electric residential electric bills across Program Administrators was 11.1 percent in 2025, compared to 7.44 percent in 2018 (see, e.g., D.P.U. 24-149, Exh. NSTAR-Electric-6 (Rev.); D.P.U. 18-119, Exh. NSTAR-Electric-6).

[151] Increases in bill impacts are calculated as the percent change in the total bill associated with a particular proposal, in this case the Three-Year Plans. Bill impacts are calculated for each Program Administrator, and for each rate class, assuming different levels of energy usage. For the calculations above, the range for bill impacts represent the projected increase in total bills between 2024 to 2027 associated with the Three-Year

9.7 percent for gas Program Administrators and from 0.2 percent to 6.2 percent for electric Program Administrators[152] over the Three-Year Plan term (see, e.g., Exh. NG-Electric-6). As noted above, these increases would be layered on top of the costs of the mid-term modifications approved in 2024.

Further, the Department must acknowledge that the Program Administrators are proposing significant budget increases at a time when customers are facing unprecedented challenges due to an extended period of high inflation and overall concern about high energy costs.[153] Accordingly, in the interest of equity and affordability, the Department must consider the proposed bill impacts in light of the extraordinary challenges facing customers.

More immediately, the increased costs of the 2025-2027 Three-Year Plan have been factored into the rates currently charged to gas ratepayers, and experience this winter indicates that these increased rates are not sustainable. The Department has received thousands of complaints from ratepayers in the past few months due to high winter heating bills, and the Governor, many legislators, the Attorney General, and local elected officials have called on the

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Plans for residential customers, assuming average usage specific to each Program Administrator.

152 Bill impacts for electric Program Administrators are based on bill impacts filed by the Program Administrators in Exh-6, assuming R-1 Basic Service Customers with a typical monthly usage. The range represents the percentage increase in electric bills associated with costs of the Three-Year Plans for non-participants between 2024 and 2027. The average increase in electric bills from 2024 to 2027 across Program Administrators is 3.92 percent.

153 Massachusetts General Court Letter to the Department, February 14, 2025; Governor Maura Healey Letter to the Department, February 16, 2025; Attorney General Letter to the Department, February 21, 2025.

Department to examine all possible measures to reduce rates. We take the concerns of these officials, and the complaints of ratepayers, very seriously.

After careful review and in consideration of the significant benefits provided by these Three-Year Plans, the legislative mandate that the Department prioritize affordability, equity, and GHG reductions in discharging our responsibilities under G.L. c. 25 § 1A, and mindful of the burdens associated with increased rates associated with these programs, the Department finds that the bill impacts associated with the Three-Year Plans are not within the range of what is reasonable under the circumstances (see, e.g., D.P.U. 24-145, Exh. NSTAR-Gas-6, Exh. DPU-Gas-2-1; D.P.U. 24-146, Exh. Compact-6). Accordingly, pursuant to G.L. c. 25, §21(d)(2), the Department will require the Program Administrators to modify their Three-Year Plans.

To reduce residential bill impacts, each gas and electric Program Administrator shall modify its Three-Year Plan budget as follows: First, the Program Administrators shall reduce the total statewide residential sector budget for the Three-Year Plan term by a total of $500 million, divided equally between the gas and electric Program Administrators, such that the statewide 2025-2027 electric residential budget is reduced by $250 million to no more than $1,426,028,079 and the statewide 2025-2027 gas residential budget is reduced by $250 million to no more than $769,639,251. Next, the revised statewide gas and electric residential three-year budgets shall be allocated to each gas and electric Program Administrator in proportion to their originally filed budget. In doing so, the Program Administrators shall, to the extent possible, reduce the residential budgets to achieve more consistent bill impacts over the term while preserving as many of the GHG emissions reductions and equity aspects of the Three-Year Plans

as practicable. Moreover, when establishing their annual budgets going forward, in the interest of promoting rate continuity, each Program Administrator shall limit the year-over-year EES increase associated with a change in annual budget to no more than 15 percent. The Department intends that these required revisions will reduce the burden of the energy efficiency costs on residential ratepayers, while still permitting the Program Administrators to execute on the careful planning and extensive work with stakeholders that informed the development of the Three-Year Plans.

On or before April 30, 2025, each Program Administrator shall submit a compliance filing to the Department containing updated statewide exhibits and tables incorporating the modified residential budgets.[154] In addition, each Program Administrator's compliance filing must include revised Program Administrator-specific exhibits including bill impacts (e.g., Exh. NSTAR-Gas-6), benefit cost models reflecting updated measure quantities (e.g., Exhs. Compact-5; Compact-5(a)), and data tables (e.g., Exh. Compact-4). Each Program Administrator's compliance filing must also include a plain language summary of the compliance filing, including updated budgets, savings, estimated number of heat pumps to be installed, and other information as appropriate.[155] Each electric Program Administrator (including the Compact) shall include in its compliance filing a proposed revised EERF for effect

[154] Revised exhibits shall include Statewide Plan, Exh. 1, App. C (Statewide Tables) and App. R (Performance Incentive Model).

[155] The Program Administrators should consider preparing an updated Executive Summary to the Three-Year Plan that would contain the specified information.

July 1, 2025, based on its updated residential budget for plan-year 2025.[156] Each gas Program Administrator shall file proposed revised LDAFs for effect May 1, 2025 in its 2025 off-peak cost of gas adjustment factor dockets no later than March 17, 2025. The Department fully expects that the revised EERFs and LDAFs will show reduced residential EESs and lower bill impacts compared to the original Three-Year Plans.

To avoid any disruption in the delivery of energy efficiency measures to customers while the required compliance filings are pending review, the Department will permit the Program Administrators to implement all programs as authorized in this Order subject to the budget limitations described above. In developing the revised residential budgets, the Department urges the Program Administrators to seize upon the opportunity of heightened customer awareness of high energy bills this winter to promote weatherization, which will reduce heating bills, regardless of the customer's heating fuel.

As discussed in Section X, below, the Department will require the Program Administrators to report their spending on a quarterly basis and, if it appears likely that a Program Administrator will reach the threshold triggering a mid-term modification, that Program Administrator must develop the full range of alternatives to a budget increase, with sufficient

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[156] National Grid (electric), Unitil (electric), and NSTAR Electric currently file revised EERFs on March 1st, April 1st, and May 1st of each year for effect May 1st, June1st and July 1st, respectively. The Compact files its revised EERF by November 1st of each year for effect January 1st the following year. In order to incorporate the revised plan year 2025 budgets as affected by this Order, National Grid (electric), Unitil (electric), and NSTAR Electric shall not file revised EERFs on the original filing schedules. Instead, on or before April 30, 2025, each electric Program Administrator (including the Compact) shall file a revised EERF for effect July 1, 2025.

lead time to avoid significant market disruptions if program designs or incentives must be altered.

As discussed above, for future energy efficiency filings, it is essential for the Program Administrators to work collaboratively with the Council to understand the impacts of proposed energy efficiency budgets on ratepayers before the plans and budgets are finalized and presented to the Department for review. Accordingly, each Program Administrator shall include illustrative annual rate and bill impacts with the draft plans filed with the Council prior to March 31st of the planning year. In addition, the Program Administrators shall update these bill impacts to show the effect of all subsequent draft plan revisions. Further, the Department encourages the Program Administrators to make available to the EEA Secretary a range of ratepayer bill impacts for her consideration when she is setting the required GHG emissions reduction goal.

As discussed throughout this Order, the Department fully supports the GHG goals established by the EEA Secretary and the focus on decarbonization and equitable program delivery encouraged by the Council (Statewide Plan, Exh. 1, Apps. D; V at 3; W). However, as the Program Administrators, Attorney General, CLF, and Green Energy correctly note, it is no longer sustainable for ratepayers alone to bear the full costs of the Commonwealth's goals for building decarbonization (Attorney General Brief at 5-6; Program Administrators' Brief at 46, 63; CLF Brief at 46-47; Green Energy Brief at 2, 10). As the Program Administrators and these other parties observe, alternative sources of program funding, whether through legislative appropriations or bond authorizations, could supplement ratepayer funds to drive the more rapid achievement of savings and benefits from the programs. Federal funds, whether replacing or

supplementing program funds, also carry great promise.[157] The Department urges the Program Administrators, the Council, and other stakeholders to continue to work with the Legislature to identify alternative energy efficiency funding sources, particularly for decarbonization measures, that do not rely solely on ratepayers.

Notably, these Three-Year Plans are one of several legislatively mandated policy initiatives designed to further the Commonwealth's critical energy policy goals. Initiatives such as net metering, the Solar Massachusetts Renewable Target ("SMART") Program, off-shore wind and energy storage procurements, electric vehicle infrastructure programs, grid modernization, AMI, gas system enhancement programs, and ESMPs each deliver essential benefits to the residents and workers of the Commonwealth.[158] And like the Three-Year Plans, these initiatives are also funded through reconciling mechanisms that allow the electric distribution and gas companies to recover the cost of these programs directly from ratepayers. Currently, when combined with energy efficiency, these programs constitute 17.5 to 24.5 percent

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[157] We note with concern the recent interference and delays in the disbursement of duly awarded federal funds to Massachusetts and regional initiatives that would complement the programs of these Three-Year Plans. If these funds are deployed in Massachusetts, we direct the Program Administrators to cooperate fully with DOER and other grant recipients to make the most effective use of these funds for ratepayers.

[158] See, e.g., 220 CMR 18.00; Model SMART Provision, D.P.U. 20-145-B (2021); Long-Term Offshore Wind Contracts, D.P.U. 21-40 (2021); Long-Term Hydroelectric Contracts, D.P.U. 18-64/D.P.U. 18-65/D.P.U. 18-66 (2019); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 21-146 (2022); Electric Vehicle Infrastructure Programs, D.P.U. 21-90/D.P.U. 21-91/D.P.U. 21-92 (2022); 2022-2025 Grid Modernization Plans, D.P.U. 21-80-A/D.P.U. 21-81-A/D.P.U. 21-82-A (2022); Grid Modernization – Phase II, D.P.U. 20-69-A (2021); 2022-2025 Grid Modernization Plans, D.P.U. 21-80-B/D.P.U. 21-81-B/D.P.U. 21-82-B (2022); Electric Sector Modernization Plans, D.P.U 24-10/D.P.U. 24-11/D.P.U. 24-12 (2024).

of residential electric bills, depending on the Program Administrator (see, e.g., Exh. NSTAR-Electric-6 (Rev)).[159] With respect to gas Program Administrators, gas system enhancement programs combined with energy efficiency programs constitute 12.3 to 39.1 percent of residential gas bills during the winter season.[160]

Although the Department recognizes substantial benefits flow to the residents of the Commonwealth from these important policy initiatives, the Department and policy makers must remain cognizant of the cumulative effect that these programs will have on customer bills now and in the future. The Department urges the Program Administrators, the Council, and other stakeholders to work with the Legislature to identify alternative sources of energy efficiency funding, particularly for decarbonization measures, to avoid relying solely on ratepayer dollars.

E. Conclusion

After the consideration of: (1) the availability of other private or public funds; (2) whether past programs have lowered the cost of electricity to consumers; and (3) the effect of rate increases on consumers, the Department finds that, subject to the above directives, each Program Administrator may recover the funds to implement its energy efficiency plan through its EES.

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[159] The calculation assumes R-1 residential electric rates, basic service supply, and average residential usage specific to each Program Administrator (see, e.g., Exh. NSTAR-Electric-6 (Rev.), "EMA R1" and "WMA R1" tabs).

[160] See, e.g., Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 23-GSEP-04, at 24 (2024); The Berkshire Gas Company, D.P.U. 23-GSEP-02, at 20 (2024).

The Department emphasizes our full support for the ambitious climate and equity goals and significant benefits provided by the Three-Year Plans as evidenced by our approval, with limited exceptions, of the programs and initiatives proposed therein. After review, in consideration of the Department's requirement to prioritize affordability and equity in discharging our responsibilities under G.L. c. 25 § 1A, and mindful of the burdens associated with increased rates associated with these programs, the Department found that the residential bill impacts associated with the Three-Year Plans, as proposed, were not within the range of what is reasonable under the circumstances.

Pursuant to G.L. c. 25, § 21(d)(2), the Department directs each Program Administrator to modify its Three-Year Plan to significantly reduce its residential sector budget. After consideration of: (1) the availability of other private or public funds; (2) whether past programs have lowered the cost of electricity to consumers; and (3) the effect of rate increases on consumers of the Three-Year Plan budgets as modified herein, the Department finds that, subject to the conditions above, each Program Administrator may recover the funds to implement its energy efficiency plan through its EES.

X. MID-TERM MODIFICATIONS

A. Introduction

Pursuant to Guidelines § 3.8.2, the Department must review any proposed modification to the Three-Year Plans that would result in the following: (1) the addition of an energy efficiency core initiative or hard-to-measure energy efficiency core initiative or demonstration project; (2) the transition of a hard-to-measure energy efficiency core initiative to an energy efficiency core initiative; or (3) an increase or decrease to a three-year term sector budget that is greater

than ten percent. See D.P.U. 20-150-A at 13-22 (2021).[161] Pursuant to G.L. c. 25, § 21(b)(3), any increase in a sector budget through a mid-term modification cannot cause the sector's BCR to fall below one. G.L. c. 25, § 21(b)(3). Finally, as discussed in Section IX, above, the Department must also consider the reasonableness of bill impacts associated with each proposed mid-term modification when approving the use of ratepayer funds. D.P.U 08-50-A at 56-58; Guidelines §§ 3.2.1.5, 3.2.1.6, 3.2.2.2; see G.L. c. 25, § 19(a)(3)(i). Below, the Department addresses various proposals related to mid-term modifications.[162]

B. Program Administrators Proposal

For all mid-term modifications during the Three-Year Plan term, the Program Administrators request that the Department apply the existing ten percent sector-level budget threshold specified in Guidelines § 3.8.2 to determine whether a mid-term modification is required (see e.g., Exh. BGC-2, at 59-60). In this regard, the Program Administrators request that the Department not extend the directives from 2022-2024 Three Year Plans Order, at 225, requiring a mid-term modification for any change in program budget (see e.g., Exh. BGC-2, at 28-29). In addition, the Program Administrators request that the Department suspend operation of Guidelines § 3.8.2(c), which requires a Program Administrator to file a mid-term

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[161] The Department implemented two additional requirements affecting mid-modifications for the 2022-2024 Three-Year Plan term. Specifically for the 2022-2024 Three-Year Plan term, the Department found that: (1) a Program Administrator could not exceed a planned program budget without approval by the Department; and (2) the Program Administrator must demonstrate that an increase in budget also would result in an increase in energy savings. 2022-2024 Three-Year Plans Order, at 225.

[162] The Department addresses the proposed mid-term process applicable to the statewide electrification pool in Section VI, above.

modification when a sector budget is projected to decrease by more than ten percent (Exh. AG-Comm 5-5; see e.g., Exh. BGC-2, at 60).

C. Positions of the Parties

1. Program Administrators

The Program Administrators acknowledge that budgets have increased for the 2025-2027 Three-Year Plan term; however, they argue that goals have also increased along with the "flexibility needed" to meet such goals (Program Administrators Reply Brief at 9). Accordingly, the Program Administrators assert that the Department should continue to use a ten percent sector level mid-term modification threshold consistent with Guidelines § 3.8.2 (Program Administrators Brief at 65-66; Program Administrators Reply Brief at 9). With respect to the Attorney General's alternate proposal to lower the mid-term modification threshold from ten percent to five percent of sector budgets, the Program Administrators argue that the Department carefully considered this issue when it last issued updated Guidelines and found that a ten-percent threshold was reasonable (Program Administrators Brief at 66; Program Administrators Reply Brief at 9, citing D.P.U. 20-150-A at 17-20).

The Program Administrators assert that Department approval of a mid-term modification in the event of a budget decrease is administratively inefficient and, therefore, urge the Department to eliminate this requirement. More specifically, the Program Administrators argue that their request to suspend the Guidelines requirement for a mid-term modification associated with a budget decrease is appropriate because: (1) it will not result in bill impacts of concern; (2) it will reduce administrative costs and burdens for all parties; and (3) it will allow for program continuity (Program Administrators Brief at 67-69).

For the same reasons, the Program Administrators object to the Attorney General's proposal to require continued Council approval of a mid-term modification for a budget decrease (Program Administrators Brief at 65; Program Administrators Reply Brief at 9, citing Attorney General Brief at 19). Instead, the Program Administrators argue that their proposal to exempt budget decreases from review by both the Council and the Department as a mid-term modification is appropriate to reduce administrative costs (Program Administrators Reply Brief at 9).

2. Attorney General

The Attorney General does not support several of the Program Administrators' proposed modifications to the Guidelines (Attorney General Brief at 4). In particular, she argues that the Department should lower the mid-term modification threshold from ten percent of sector budgets (as proposed by the Program Administrators) to five percent of sector budgets (Attorney General Brief at 17). The Attorney General maintains that this change is warranted given the exponential growth in sector budgets, the Program Administrators' stated intention to increase incentive levels and spending as needed during the Three-Year Plan term to meet GHG emissions reduction targets, and the accompanying increased potential for ratepayer exposure to large cost overruns (Attorney General Brief at 17, citing Exhs. AG-Comm 1-22; NG-Electric-2, at 44, 62).[163]

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163 The Attorney General maintains that the Program Administrators could spend an additional $388 million without review by the Department or the Council under the ten percent mid-term modification threshold contained in the Guidelines (Attorney General Brief at 17).

In response to the Program Administrators' argument that maintaining the ten percent threshold is necessary to reduce the administrative burden of future mid-term modifications, the Attorney General asserts that a five percent threshold: (1) appropriately accounts for the significantly increased budgets (and ratepayer bill impacts) of the proposed Three-Year Plans; (2) is consistent with Department precedent; and (3) permits a reasonable amount of flexibility for the Program Administrators to adjust programs while maintaining an appropriate level of regulatory oversight by the Department (Attorney General Reply Brief at 2-3, citing D.P.U. 21-120 through D.P.U. 21-129, Order on Joint Motion for a Waiver (2024) ("Order on Joint Motion for a Waiver"); D.P.U. 20-150-A (2021); D.P.U. 20-150, Vote and Order Opening Investigation (2020); D.P.U. 15-160 through D.P.U. 15-169 (2016)). Contrary to the Program Administrators' assertions, the Attorney General argues that it is essential to consider the absolute scale of the increases in proposed Three-Year Plan budgets when determining an appropriate mid-term modification threshold (Attorney General Reply Brief at 3-4). Finally, the Attorney General disputes the Program Administrators' claim that a recent Department Order supports maintaining the ten percent threshold here. To the contrary, the Attorney General argues that the cited Order provides support for her argument that the Department should consider the size of the proposed budgets and resulting bill impacts when establishing an appropriate mid-term modification threshold (Attorney General Reply Brief at 4-5, citing Order on Joint Motion for a Waiver, at 11).

In addition, the Attorney General recommends that the Department reduce but not eliminate the requirement for a mid-term modification in the event of a budget decrease as proposed by the Program Administrators (Attorney General Brief at 19). Instead of the current

dual review of budget decreases by the Council and Department, the Attorney General recommends that the Program Administrators be required to submit only proposed budget decreases for review by the Council (Attorney General Brief at 19).

The Attorney General also recommends that the Department lift the restrictions established in D.P.U. 22-94 on Program Administrators discussing proposed mid-term modifications with the Council prior to filing a mid-term modification with the Department (Attorney General Brief at 19). The Attorney General argues that lifting these restrictions is necessary to facilitate productive discussion with the Council about the challenges the Program Administrators are facing that may require a mid-term modification (Attorney General Brief at 20).

3. Department of Energy Resources

DOER argues that the Department should not approve the Attorney General's proposal to reduce the mid-term modification threshold from ten percent to five percent of sector budgets (DOER Reply Brief at 6-7, citing Attorney General Brief at 17-20). DOER argues that maintaining a ten percent sector-level threshold, as proposed by the Program Administrators, provides appropriate ratepayer protections from unreasonable bill impacts (DOER Reply Brief at 7, citing Program Administrators Brief at 65-68). DOER also supports the Program Administrators' request that the Department not extend the directives from 2022-2024 Three Year Plans Order, at 225, requiring a mid-term modification for any change in program budget term (DOER Reply Brief at 6).

In addition, DOER supports the Program Administrators' request to discontinue the requirement for a mid-term modification associated with a sector-level budget decrease (DOER

Reply Brief at 8, citing Exhs. Eversource Energy-2, at 64, AG-Comm 5-5). DOER agrees, however, with the Attorney General's position that the Council should be required to review all budget decreases (DOER Reply Brief at 8). In this regard, DOER argues that the Council can work with the Program Administrators to ensure that planned outcomes will be achieved despite the decrease in spending (DOER Reply Brief at 8).

Finally, DOER urges the Department to lift the pre-filing restrictions on mid-term modification-related communications between the Program Administrators and the Council (DOER Reply Brief at 8, citing D.P.U. 22-94, at 18). DOER argues that lifting this restriction will permit the Council to assist the Program Administrators in identifying solutions that may obviate the need for a mid-term modification (DOER Reply Brief at 7).

D. Analysis and Findings

The Program Administrators propose to rely on Guidelines § 3.8.2 regarding sector-level budgets to govern the mid-term modification process for this Three-Year Plan term (see, e.g., Exh. BGC-2, at 59-60). To effectuate this proposal, the Program Administrators request that the Department not extend our directive requiring a mid-term modification for any change in program budget, which the Department intended to apply during the 2022-2024 Three-Year Plan term only (see, e.g., Exh. BGC-2, at 28-29). 2022-2024 Three Year Plans Order, at 225. While the Attorney General supports the return to a threshold-based system for triggering mid-term modifications, she argues that a five percent sector-level threshold is more appropriate than the historically applied ten percent threshold that the Program Administrators urge us to use (Attorney General Brief at 17-18). The Program Administrators also propose that the Department suspend the requirements for mid-term modifications associated with sector-level

budget decreases (Exh. AG-Comm 5-5; see, e.g., Exh. NG-Gas-2, at 33, 64-65). Before the Department addresses the substance of the Program Administrators' and Attorney General's requests, we find that it is necessary to discuss the recent experience with mid-term modifications.

The Program Administrators filed an extraordinary number of mid-term modifications requests during the 2022-2024 Three Year Plan term, in part related to unexpectedly high demand for heat pumps, as well as to C&I spending that fell short of goals, and other factors. Many of the requested mid-term modifications sought increases in low-income sector budgets so that these important programs could continue without interruption.[164] See, e.g., D.P.U. 24-89, D.P.U. 24-99, D.P.U. 24-127, D.P.U. 24-128, D.P.U. 24-130. As we discuss elsewhere in this Order, heat pumps will play an essential role in meeting the Commonwealth's GHG emissions reduction goals, and the current Three-Year Plans continue the focus on equity and increasing program delivery to low- and moderate-income customers that was started in the prior term (Statewide Plan, Exh. 1, at 4, 11, 311-312).

The majority of all mid-term modifications filed during the 2022-2024 Three-Year Plan term were filed in 2024, the last year of the 2022-2024 Three-Year Plan term.[165] In addition,

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[164] Due to projected budget shortfalls, the Program Administrators notified the Department that they intended to immediately pause certain programs and, further, that such programs could not continue even during the pendency of the Department's expedited review of the related mid-term modification requests. See, e.g., D.P.U. 24-91, Notification of Residential Sector Pause (July 3, 2024); D.P.U. 24-98, Pause Notification (July 18, 2024); D.P.U. 24-99, Pause Notification (July 18, 2024).

[165] See, e.g., Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 22-94 (2022); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-54 (Pending); Cape Light Compact JPE, D.P.U. 23-58, Stamp-Approved Initial Filing

some of the largest bill impacts were associated with mid-term modification requests filed in the last six months of the term.[166] In fact, the latest mid-term modification requests were filed while the instant Three-Year Plans were being reviewed by the Council or on the eve of the Program Administrators' deadline to submit the Three-Year Plans to the Department. See G.L. c. 25, §§ 21(c), 21(d)(1).

Additionally, while the final mid-term modifications were under review by the Department, the Program Administrators informed us that another 20 mid-term modifications likely would be necessary prior to the end of the 2022-2024 Three-Year Plan term. To allow the Program Administrators to continue to deliver these energy efficiency programs without interruption, the Department granted the Program Administrators' joint motion for waiver of the directive requiring a mid-term modification for any change in program budget. Order on Joint

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(2024); Fitchburg Gas and Electric Light Company, D.P.U. 23-70, Stamp-Approved Initial Filing (2024); Liberty Utilities, D.P.U. 23-91, Stamp-Approved Joint Motion for Approval of Settlement (2024); The Berkshire Gas Company, D.P.U. 23-93 (2024); Fitchburg Gas and Electric Light Company, D.P.U. 23-144, Stamp-Approved Initial Filing (2024); NSTAR Electric Company, D.P.U. 23-147, Stamp-Approved Revised Petition (2024); Eversource Gas Company of Massachusetts, D.P.U. 23-149, Stamp-Approved Initial Filing (2024); NSTAR Gas Company, D.P.U. 23-153, Stamp-Approved Initial Filing (2024); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-154, Stamp-Approved Initial Filing (2024); and Boston Gas Company, D.P.U. 23-155, Stamp-Approved Initial Filing (2024).

[166] See, e.g., Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 24-89, Stamp-Approved Initial Filing (2024); Fitchburg Gas and Electric Light Company, D.P.U. 24-91, Stamp-Approved Initial Filing (2024); Boston Gas Company, D.P.U. 24-98, Stamp-Approved Initial Filing (2024); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 24-99, Stamp-Approved Initial Filing (2024); Eversource Gas Company of Massachusetts, D.P.U. 24-127, Stamp-Approved Initial Filing (2024); NSTAR Gas Company, D.P.U. 24-128, Stamp-Approved Initial Filing (2024); and Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 24-130, Stamp-Approved Amended Initial Filing (2024).

Motion for Waiver, at 10.[167] The Department reiterated its expectation that consideration of ratepayer bill impacts would be a significant focus of the instant Three-Year Plans and directed each Program Administrator to file testimony and evidence documenting all steps they have taken to monitor and control their energy efficiency-related spending. Order on Joint Motion for Waiver, at 14-15, citing Fitchburg Gas and Electric Light Company, D.P.U. 24-47-A, Stamp-Approved Compliance Filing at 15. 2025-2027 Three-Year Energy Efficiency Plans, D.P.U. 24-140 through D.P.U. 24-149, Hearing Officer Procedural Memorandum (September 6, 2024).

Because of these late mid-term modifications, the Program Administrators recovered little to none of the additional costs associated with approved budget modifications for plan-year 2024 before the start of the 2025-2027 Three-Year Plan term. As a result, we are now faced with gas and electric ratepayers being asked to bear costs associated with prior-term budget increases on top of costs related to the new Three-Year Plans in 2025 and 2026.[168] The Department must necessarily weigh this recent experience when we consider the Program Administrators' and the Attorney General's proposals regarding mid-term modifications.

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[167] In recognition of the statutory mandate for the Program Administrators to allocate a required percentage of their energy efficiency spending to low-income customers (i.e., ten percent of electric energy efficiency funds and 20 percent of gas energy efficiency funds), the Department found that promoting the continued delivery of Department-approved programs to these customers favored granting the waiver. Order on Joint Motion for Waiver, at 2, 10, citing G.L. c. 25, § 19(c), 21(b)(3).

[168] The gas Program Administrators began collecting certain costs related to these mid-term modifications on November 1, 2024. With the exception of the Compact, who began recovering mid-term modification-related costs on January 1, 2025, the electric Program Administrators will begin recovering these costs later in 2025.

As an initial matter, the Department clarifies that we will not extend the requirement established for the 2022-2024 Three-Year Plan term that a Program Administrator cannot exceed a planned program budget without approval by the Department. Instead, as discussed in Section IX, above, the Department is implementing other strategies in the Order to address bill impacts in the current Three-Year Plan term. Our focus is on sector-level budget modifications, which drive potential ratepayer costs. Further, eliminating the program-level mid-term modification requirement will afford the Program Administrators more flexibility, in consultation with the Council, to shift funds from programs that are not working well to those that are.

The Program Administrators request that we apply the ten percent sector threshold in Guidelines § 3.8.2 to determine whether a mid-term modification is warranted. The Attorney General agrees with the return to a sector-based approach but urges the Department to apply a lower, five percent sector-budget threshold. The Department agrees with the Attorney General that it is appropriate to apply a lower, five percent sector-budget threshold to necessitate a mid-term modification. We determine this lower threshold is warranted due to the growth in sector budgets and the Program Administrators' stated intention to increase spending, as needed, during the Three-Year Plan term to meet GHG emissions reduction targets. The Department further finds that use of a five percent sector-budget target will allow the Program Administrators a reasonable degree of flexibility to adjust energy efficiency programs and measures, as necessary, over the term while maintaining an appropriate level of Department oversight of Program Administrator spending. Accordingly, for the 2025-2027 Three-Year Plan term, the Department

must review any proposed modification to the Three-Year Plans that would result in an increase in a three-year term sector budget that is greater than five percent.

Next, the Program Administrators urge the Department to no longer require a mid-term modification filing (with either the Department or the Council) in the event of a budget decrease, arguing that a budget decrease does not implicate bill impact concerns and is administratively burdensome. The Attorney General and DOER agree that the Department should not be required to review a mid-term modification for a budget decrease but argues that a mid-term modification for a budget decrease should still be subject to review by the Council.

After review, the Department does not approve the Program Administrators' proposal to eliminate the mid-term modification requirements for budget decreases. Instead, we find it is appropriate to apply the same sector-based budget trigger discussed above to mid-term modifications for budget decreases. Review of mid-term modifications for budget decreases is an important tool for the Department to monitor program spending and the potential for underperformance, particularly in the C&I sector. Further, requiring mid-term modifications for budget decreases will also ensure that any reduced budgets are reflected in the EES in a timely manner. Accordingly, for the 2025-2027 Three-Year Plan term, the Department must review any proposed modification to the Three-Year Plans that would result in a decrease in a three-year term sector budget that is greater than five percent.

Given this recent mid-term modification history described above, two problems with the current mid-term modification process have become evident to the Department. First, when a Program Administrator files a mid-term modification only upon recognition that it is about to exceed its approved budget and, therefore, seeks an expedited review by the Department, it

leaves little time to examine alternative options in advance of a disruptive suspension or termination of programs. Second, when multiple mid-term modification petitions are filed late in a Three-Year Plan term, there is a risk that ratepayers will experience "pancaking" of bill impacts related to two separate three-year plans, as was seen in 2024 and 2025. This is especially important to mitigate the effect of multiple bill impacts where, as here, the Department expects GHG emissions reduction goals for 2028-2030 to be no less ambitious—and, in fact, expects they may be more ambitious—than the current term's goals. While future decarbonization costs cannot be known with certainty, it is not reasonable to expect that these costs will be significantly less in the future. And, as described in Section IX above,, the Department must use special care when navigating the tension between the Department's requirement to consider bill impacts and affordability and the need for the Program Administrators to achieve the necessarily aggressive GHG and equity targets in the plans.

Accordingly, the Department intends to implement a number of new procedures to address the identified issues with mid-term modifications. For all future mid-term modification filings that involve a proposed increase to a sector budget, the Department will require the Program Administrators to include detailed testimony and exhibits describing at least one alternative to the mid-term modification that would not increase spending and/or bill impacts and would minimize sudden program disruptions to the greatest extent possible (e.g., planned and coordinated adjustments to program spending to stay within budgets) (see, e.g., Exh. DPU-Comm 9-1, Att. at 39). The Program Administrators' testimony should address any negative long-term impacts related to the alternative and the development of the relevant markets, as well as the potential impact on achievement of the Three-Year Plan term goals.

Further, to ensure that the Department and parties have sufficient time to review any mid-term modification filings, unless otherwise authorized by the Department, we will require the Program Administrators to file all mid-term modifications at least four months prior to the date by which a decision is sought.[169] This will allow the Department to conduct a meaningful review (including appropriate consideration of reasonable alternatives and all associated bill impacts).[170] It will also allow the Department to manage its overall caseload in a more predictable and orderly manner.

Given the scope and scale of these Three-Year Plans, and the need for greater visibility into Program Administrators' spending and program participation as they relate to the need to file future mid-term modifications, the Department will require the Program Administrators to file quarterly informational reports with the Department ("Quarterly Budget Reports") starting on July 1, 2025. As opposed to the measure-level updates to the Council on savings and benefits goals pursuant to G.L. c. 25, § 22(d), these Quarterly Budget Reports shall: (1) detail spending as a percentage of approved sector budget; (2) provide data on current and forecasted program participation; (3) forecast whether spending is on track for the Program Administrators to stay

[169] After review of the initial filing, the Department will set an appropriate procedural schedule for each individual mid-term modification filing.

[170] This review period also reflects consideration of the Program Administrators' identified "pipeline," the timeline necessary for evaluating changing market and project conditions (Exh. DPU-Comm 9-1, Att. at 34; Tr. 1, at 165-167; Tr. 2, at 373). The Department is encouraged that Program Administrators are coordinating with their heat pump installer network to evaluate the heat pump market and ongoing projects to respond to forthcoming changes, and we fully expect that our and other stakeholders' review earlier in the timeline will improve budget forecasting (Exh. D.P.U.-Comm 9-1, Att. at 34; Tr. 2, at 373, 375).

within budget; and, if changes to budget are anticipated, (4) provide information regarding how and why Program Administrators think they may overspend. Despite some months' advance notice of changing marketing and project conditions, the Program Administrators state that they have limited ability to forecast program participation (Exh. DPU-Comm 9-1, Att. at 34; Tr. 1, at 165-167; Tr. 2, at 373). Nevertheless, the Department expects that these reports will provide as much real-time visibility into program participation and its potential impact on program spending as possible, based on all information available to the Program Administrators to develop budget forecasts (e.g., vendor pipelines, Program Administrator analysis of leading and lagging indicators of customer demand, and past experience) (Exh. DPU-Comm 9-1, Att. at 34; Tr. 2, at 373-376). The Department will review the reports and determine whether additional information is necessary from the Program Administrators via discovery or a technical conference.

As a final matter, the Attorney General and DOER request that the Department reconsider its directive issued in D.P.U. 22-94, at 18, which they interpret as preventing the Program Administrators from communicating with the Council about a potential mid-term modification request prior to filing its proposal with the Department (Attorney General Brief at 19-20; DOER Reply Brief at 6-7). The directive at issue followed a request from Liberty for a 60 percent increase in its C&I sector budget to accommodate a new project. D.P.U. 22-94, at 1, 3 & n.5. The budget increase sought by Liberty in the proposed mid-term modification exceeded Liberty's C&I Existing Buildings program budget by 185 percent for the 2022-2024 Three-Year Plan term, thereby triggering Department review. D.P.U. 22-94, at 9. Liberty requested that the

Department issue a decision on its mid-term modification request by August 30, 2022, or within 37 calendar days of the request. D.P.U. 22-94, Initial Filing Cover Letter at 1.

Department Guidelines § 3.8.2 require that a Program Administrator submit a proposed mid-term modification for a budget increase to the Department and the Council for review at the same time. Despite this requirement, Liberty submitted an incomplete filing with the Department, devoid of much of the information it had already provided to the Council on two separate occasions. D.P.U. 24-94, at 1-2, 9-10, 17. This scenario left the Department with almost no time to conduct its own investigation of Liberty's requested modification.[171]

To avoid a future recurrence of such imbalanced communication and of mid-term modification requests coming to the Department at the last minute, the Department repeated its guidance that any mid-term modification filed pursuant to Guidelines§ 3.8.2 must be submitted contemporaneously to both the Department and Council. The Attorney General and DOER opine that the Department's direction in D.P.U. 22-94, at 18 (particularly our clarification that all written or verbal presentation on the substance of a mid-term modification constitutes submission of a mid-term modification to the Council for the purpose of Guidelines § 3.8.2), inhibits the ability of stakeholders to discuss over- or under-spending with the Program Administrators (Attorney General Brief at 19-20; DOER Reply Brief at 6-7).

It was not the Department's intent to prevent Program Administrator collaboration with the Council. Instead, our intent was and is to ensure that the Department is permitted a sufficient

171 The Department had previously explicitly rejected a proposal that would allow Program Administrators to submit proposed mid-term modifications for review and feedback by the Council prior to filing with the Department. D.P.U. 22-94 at 18, citing D.P.U. 20-150-A at 17-22.

opportunity to conduct a proper investigation of any proposed mid-term modification filing at a time when it remains feasible to affect the chosen alternative. This is particularly important where, as we have seen, mid-term modifications are often associated with significant ratepayer bill impacts.

Consistent with the request of the Attorney General and DOER, the Department will not prohibit the Program Administrators from communicating with the Council about the substance of a mid-term modification before it is presented to the Department and the Council for review. In fact, we encourage such communication. We expect that the information provided in the Quarterly Budget Reports, together with the minimum adjudicatory timeline of four months (absent prior Department authorization) will afford the Department the necessary visibility and time to investigate future mid-term modification requests.[172]

In conclusion, the Department finds that the foregoing changes to the mid-term modification process will enable the Department and stakeholders to better monitor the Program Administrators' energy efficiency expenditures and minimize associated ratepayer bill impacts to ensure that the benefits of the Three-Year Plans are delivered in the most cost-efficient manner. It bears repeating here that it cannot be assumed that the Department will automatically approve all additional spending designed to achieve Three-Year Plan goals, regardless of the associated bill impacts or the overall level of bills at the time. The Program Administrators will bear a

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[172] Further, extending additional flexibility to the Program Administrators by lifting the requirement for program-level mid-term modification requests should obviate the need for time-sensitive review of large projects.

heavy burden to justify the reasonableness of any increases in spending above the levels approved in this Order.

XI. RESIDENTIAL CONSERVATION SERVICES

A. Introduction

The RCSS statute, G.L. c. 164 App., §§ 2-1 to 2-10, was promulgated in 1980 and provides a framework for in-home energy conservation services for residential customers. Pursuant to the Energy Act of 2012, the Program Administrators have elected to incorporate the RCS filings for 2025-2027 in their respective Three-Year Plans. St. 2012, c. 209, §§ 32(h), (i). Therefore, the Department is required to review the reasonableness of the proposed RCS budgets in the instant proceedings. G.L. c. 164 App., § 2-7(b); St. 2012, c. 209, § 32(i).[173]

As part of the 2022-2024 Three-Year Plans, the Program Administrators allocated a proportion of their RCS budgets to home energy scorecards but did not include a home energy scorecard proposal.[174,175] 2022-2024 Three-Year Plans Order, at 237-238.[176] Therefore, the

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173 On April 17, 2017, DOER promulgated revised RCS regulations, 225 CMR 4.00. On February 20, 2020, DOER released revised final guidelines ("RCS Guidelines") interpreting 225 CMR 4.00. DOER, Guideline Interpreting 225 CMR 4.00 (February 20, 2020), available at https://www.mass.gov/doc/rcs-guideline-revised-2202020/download.

174 A home energy scorecard is a tool used to understand how a home or building's energy consumption compares to similar homes or buildings. The Program Administrators first indicated that they intended to implement home energy scorecards as part of residential in-home energy assessments beginning in 2019. 2019-2021 Three-Year Plans Order, at 169-170.

175 DOER's RCS Guidelines require the Program Administrators to offer DOER-approved energy scorecards in conjunction with in-home energy audits. RCS Guidelines § 2.B.1.

176 The Program Administrators first indicated that they intended to implement home energy scorecards as part of residential in-home energy assessments beginning in 2019. 2019-2021 Three-Year Plans Order, at 169-170. The Program Administrators did not,

Department was unable to make any findings regarding the reasonableness of the proposal and concluded that to the extent the Program Administrators planned to use ratepayer funds to implement home energy scorecards, they would be required to file a formal proposal with the Department. 2022-2024 Three-Year Plans Order, at 242. The Program Administrators did not file home energy scorecard proposals with the Department.

B. Program Administrators' Proposal

In response to discovery, the Program Administrators provided an itemization of their RCS budgets by: (1) home energy assessment costs; (2) the RCS assessment fees; (3) home energy scorecard costs; and (4) all other costs associated with the RCS budget (Exh. DPU-Comm 15-1 (Corrected); RR-DPU-5). Each Program Administrator proposes to include its RCS budget as part of the Residential Hard-to-Measure Initiative for each year of the Three-Year Plan term (Statewide Plan, Exh. 1, App C. (Rev.), Table IV.C.1). The Program Administrators propose to continue to recover RCS costs through the EES (Statewide Plan, Exh. 1, at 80 n.94).

Although they have allocated a portion of the RCS budget to home energy scorecards, the Program Administrators again did not include a home energy scorecard proposal in their Three-Year Plans (Statewide Plan, Exh. 1, at 106, 242). During cross-examination, the Program Administrators described the work they accomplished during the 2022-2024 Three-Year Plan

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however, include an energy scorecard proposal or associated budget as part of their RCS filings in the 2019-2021 Three-Year Plans. 2019-2021 Three-Year Plans Order, at 170, 174. Accordingly, the Department did not make any substantive findings regarding home energy scorecards or associated RCS budgets. 2019-2021 Three-Year Plans Order, at 174.

term regarding home energy scorecards and what work remains to be completed to enable rollout during the 2025-2027 Three-Year Plan term (Tr. 2, at 357-360). The Program Administrators indicate that contingent upon Department approval of a forthcoming home energy scorecard proposal, they intend to make DOE home energy scorecards available for program participants who opt in (Statewide Plan, Exh. 1, at 106; Exh. DPU-Comm 15-1 (Corrected)).

Finally, the Program Administrators note that they are redesigning the home energy assessments provided under the RCS to provide customers with recommendations for decarbonizing their homes (Exh. DPU-Comm 15-1 (Corrected)).

C. Positions of the Parties

1. Program Administrators

The Program Administrators assert that consistent with the Department's directives in 2013-2015 Three-Year Plans Order, at 128, and 220 CMR 7.02, they have incorporated all costs related to the RCS program into their respective Energy Efficiency Data Tables as a separate line item (Program Administrators Brief at 46). The Program Administrators indicate that this line item includes costs related to energy assessments for residential participants as well as preliminary home energy scorecard costs (Program Administrators Brief at 46-47, citing Statewide Plan, Exh. 1, at 242; Exh. DPU-Comm 15-1 (Corrected)).

The Program Administrators maintain that they are working with DOER to finalize a detailed proposal for home energy scorecard implementation (Program Administrators Brief at 47, citing Tr. 2, at 358-360). The Program Administrators state that they allocated an amount of "preliminary" home energy scorecard costs in the RCS budget to ensure that there would be resources available to implement scorecards (Program Administrator Brief at 47). Nonetheless,

the Program Administrators indicate that they will file a comprehensive proposal for Department review prior to implementing home energy scorecards or spending any RCS funds allocated to home energy scorecards (Program Administrators Brief at 47, 56).

2. Department of Energy Resources

DOER argues that the Program Administrators' RCS budget request is reasonable and should be approved (DOER Brief at 40-41). DOER asserts that it will continue to work with the Program Administrators to make the DOE home energy scorecards available to program participants by the end of the Three-Year Plan term (DOER Brief at 41, citing Statewide Plan, Exh. 1 at 106; Exh. DPU-Comm 15-1 (Corrected)).

D. Analysis and Findings

While DOER develops the state plan for RCS programs, the Department is responsible for reviewing the reasonableness of the budget and expenditures and may modify the budget. St. 1980, c. 465 § 7(b). The Program Administrators must include a description of the activities that support the requested budget. See 2019-2021 Three-Year Plans Order, at 174. The Department has reviewed the Program Administrators' proposed RCS budgets and, with the exception of the funds allocated to home energy scorecards as discussed below, finds that they are reasonable (Statewide Plan, Exh. 1, 242, App C. (Rev.), Table IV.C.1). Accordingly, the Department approves the proposed RCS budgets, except for the portion of such budgets allocated to home energy scorecards.

The Program Administrators did not file a home energy scorecard proposal as part of the instant proceedings despite allocating a portion of the RCS budgets to home energy scorecard costs (Exh. DPU-Comm 15-1 (Corrected)). However, the Program Administrators engaged in

significant collaborative efforts with DOER to develop home energy scorecards during the 2022-2024 Three-Year Plan term (Tr. 2, at 357-359). As a result of these efforts, the Program Administrators anticipate that they will finally implement home energy scorecards during the 2025-2027 Three-Year Plan term (Tr. 2, at 359).

As the Program Administrators correctly recognize, the Department must find that the proposed home energy scorecard budgets are reasonable prior to the Program Administrators implementing home energy scorecards or using any RCS funds allocated to this purpose (Program Administrators Brief at 47). On or before June 1, 2025, the Program Administrators shall file a detailed home energy scorecard proposal for Department review. The filing must include pre-filed testimony and exhibits addressing: (1) a detailed home energy scorecard proposal,[177] including the impact of electrification measures; and (2) an itemized RCS budget with information specific to home energy scorecards necessary to carry out the proposal. The Department will then determine whether the budgets allocated to home energy scorecards are reasonable. The Department looks forward to reviewing these filings and stresses the importance of completing this long-stalled measure to provide residents with more insights into the energy usage of their homes.

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[177] As part of this proposal, the Program Administrators must address the content of the home energy scorecards and their plans for integrating the scorecards with existing home energy assessments and other marketing initiatives.

XII. CAPE LIGHT COMPACT JPE

A. Introduction

The Compact is a municipal aggregator that has received Department approval to administer electric energy efficiency to member municipalities. See, e.g., Cape Light Compact, D.P.U. 15-166 (2016). It is the only energy efficiency Program Administrator that is not an investor-owned utility. NSTAR Electric and National Grid (gas) are the distribution companies serving electric and gas customers, respectively, in the Compact's member municipalities.

The Compact has proposed two variations from the Statewide Plan: (1) its proposed exemption from participation in the statewide contact center and (2) its proposal to select designated equity communities via alternative criteria. These topics are addressed in Sections XII.F and III.D.3.b.iii, respectively. Here, we address several additional issues: (1) the continuation of its CVEO; (2) its proposal to directly manage its Community First Partnership program without the use of an additional statewide vendor; (3) the proposed method to allocate certain shared costs; and (4) the manner in which the Compact charges interest on certain EES balances (Exhs. CLC-2, at 160-166; 172; 177-178; D.P.U. 24-32, Exh. CLC-1, at 5-6). Finally, we also address here certain outstanding issues that, based on the record before us, we find appropriate to resolve in this Order.

B. Cape & Vineyard Electrification Offering

1. Introduction

The Department previously approved the Compact's CVEO, a strategic electrification and energy optimization demonstration project, pursuant to St. 2022, c. 179, § 87A[178] ("Section 87A"). Cape Light Compact JPE, D.P.U. 22-137 (2023); D.P.U. 22-137, Stamp-Approved Supplemental Budget Filing (2023). The CVEO combines home weatherization with cold climate air source heat pumps, battery storage, and solar PV (Statewide Plan, Exh. 1, at 324). The Compact proposed to serve 100 low- and moderate-income customers through CVEO with a budget of approximately $6.1 million, to be implemented in 2023-2024 (Exh. CLC-2, at 164). As a demonstration project, the Department directed the Compact to conduct an impact study to analyze the actual cost savings and bill impacts to CVEO participants and non-participants, with the amount of excess generation that CVEO participants dispatch to

[178] Section 87A of the 2022 Clean Energy Act authorizes an electric energy efficiency Program Administrator to "submit proposed low- and moderate-income whole building efficiency, electrification and greenhouse gas emissions reduction offerings to a limited number of participants within the low- and moderate-income customer groups." This provision removed a critical statutory impediment to strategic electrification efforts such as CVEO, namely the availability of ratepayer-provided energy efficiency funding under G.L. c. 25, § 19 for programs that rely on solar photovoltaics ("PV") and backup battery storage. D.P.U. 22-137, at 23-24.

the distribution system, and to file the results of the impact study, as part of its CVEO evaluation, with the Department on or before August 1, 2025.[179] D.P.U. 22-137, at 36-37.

Currently, the Compact has enrolled 55 participants who have fully executed contracts to proceed with installations of CVEO technologies (Exh. CLC-2, at 162). The Compact stopped enrolling customers as of July 2024 when it estimated the budget cap would be reached (Exh. CLC-2, at 162). As of October 15, 2024, 38 CVEO participants have completed installation of their CVEO technology, leaving 17 customers who have yet to complete installations (Exh. CLC-2, at 162). Of the remaining 17 participants, the Compact estimated four CVEO participants would have completed their installations of CVEO technologies by the end of 2024 (Exh. CLC-2, at 162).

The Compact is proposing to complete the CVEO demonstration offering during the 2025-2027 Three-Year Plan term within the $6,111,509 budget approved in D.P.U. 22-137, including a supplemental budget of $100,000 (Exh. CLC-2, at 162, 164-165). D.P.U. 22-137, at 48-47; D.P.U. 22-137, Exh. MDT-Supp at 4.[180] Consistent with the Department's directives in D.P.U. 22-137, at 38-39, the Compact confirms it will continue to return to ratepayers all

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[179] No later than August 1, 2026, the Department must file a report with the Legislature detailing the results of any demonstration offerings under Section 87A.

[180] The CVEO budget approved in Cape Light Compact JPE, D.P.U. 22-137 was $6,011,509 (i.e., $6,000 for marketing and advertising, $5,472,509 for participant incentives, $333,000 for STAT, and $200,000 for EM&V), using approximately $3.1 million of its Department approved income-eligible sector budget for the 2022-2024 Three-Year Plan term to fund CVEO for low-income customers (D.P.U. 22-137, at 46-47). The Department also approved a supplemental evaluation budget of $100,000 for 2024 (D.P.U. 22-137, Exh. MDT-Supp at 4; Stamp Approval (April 6, 2023)). Thus, the total approved budget for CVEO is $6,111,509 (Exh. CLC-2, at 164).

proceeds from its sale of renewable energy certificates and alternative energy certificates associated with CVEO PV systems (Exh. CLC-2, at 62). Additionally, the Compact confirms that the completion of CVEO technology installations in 2025 will not delay the Compact's required CVEO report to the Department (Exhs. CLC-2, at 166; DPU-Compact 3-5).

2. Positions of the Parties

The Compact requests approval to complete final technology installations for CVEO in the first two quarters of 2025 (Program Administrators Brief at 113). The Compact calculates that, based on updated estimates since the filing of the Compact's Three-Year Plan on October 31, 2024, the number of remaining installation completions necessary in 2025 is now only three CVEO participants (Program Administrators Brief at 113, citing Exh. DPU-Compact 3-5). The Compact states that it will complete the remaining CVEO installations within the Department-approved budget for CVEO and within the required timeframe for evaluation (Program Administrators Brief at 113, citing Exhs. CLC-2 at 164-165; DPU-Compact 3-5). No other party addressed this issue on brief.

3. Analysis and Findings

The Department previously approved the Compact's CVEO in D.P.U. 22-137, wherein we found that the design of the proposed CVEO demonstration project met all requirements of an energy optimization and strategic electrification demonstration project under Section 87A; satisfied the standards applicable to our review of demonstration projects; and found that the Compact's CVEO proposal was determined to be in the best interest of ratepayers. D.P.U. 22-137, at 45-46. The Compact has not proposed any changes to the program design or

implementation process and, in fact, proposes to complete the demonstration within budget and on time.

The Compact explains that of the $3.1 million from its approved 2022-2024 Three-Year Plan income-eligible budget authorized to fund CVEO programs for low-income participants, the Compact has currently been invoiced approximately $1.9 million for CVEO program measures and STAT costs (Exh. CLC-2, at 164). The Compact maintains that, based on low-income CVEO projects in progress which have been quoted and approved by the Compact, it will not exceed its $3.1 million budget (Exh. CLC-2, at 165). Similarly, the Compact explains that it has been invoiced approximately $1.6 million for moderate-income CVEO participants (Exh. CLC-2, at 165). The Compact states that it does not expect to exceed the $2.9 million budget cap for moderate-income CVEO projects based on projects in the pipeline that have been quoted and approved by the Compact (Exh. CLC-2, at 165).

Given our prior approval of the CVEO and the Compact's representations that it will complete the project within the approved budget and within the timeline set for reporting, the Department approves the Compact's request to finish the CVEO technology implementation for its remaining 13 customers through 2025 within the $6,111,509 budget approved in D.P.U. 22-137. Within this budget, the Compact shall continue to fund CVEO for low-income customers using approximately $3.1 million of its Department approved income-eligible sector budget from the 2022-2024 Three-Year Plan and the 2025-2027 Three-Year Plan (i.e., $1.9 million from the 2022-2024 term and $1.2 million from the 2025-2027 term). Although the Compact shall fund CVEO through the energy efficiency funding sources

authorized by Section 19(a) and Section 87A, the Department notes that the Compact remains obligated to pursue other funding sources to implement the CVEO. Guidelines § 3.2.1.3.

C. Community First Partnership Program

1. Introduction

The Compact proposes to directly manage its Community First Partner for the 2025-2027 Three-Year Plan term, rather than use the lead vendor working with all other Program Administrators (Exhs. CLC-2, at 173, 177; DPU-Comm 23-5). The Compact explains that the other Program Administrators use a lead vendor to partner with municipalities as part of their program engagement, but that as a municipal aggregator, the Compact already has direct contact with each of its member municipalities (Exh. CLC-2, at 177-178). The Compact states that working with a lead vendor to manage its Community First Partner would not provide additional services or benefits beyond what it can provide directly through Compact staff as part of existing operations (Exh. CLC-2, at 177-178).

The Compact is currently seeking bids for a Community First Partner to be awarded a contract with an annual not-to-exceed budget of $120,000 (Exhs. DPU-Compact 2-4). The Compact calculates that using the Program Administrators' lead vendor to manage this Community First Partner would cost at least $194,577 for the 2025-2027 Three-Year Plan term (Exh. DPU-Compact 2-4). Therefore, the Compact explains it expects to save $194,577 by not using a lead vendor to manage its Community First Partner coordination (Exh. DPU-Compact 2-4).

2. Positions of the Parties

The Compact argues that directly contracting with its Community First Partner rather than coordinating through a lead vendor like the other Program Administrators will not adversely impact services offered statewide (Program Administrators Brief at 112). The Compact reiterates its commitment to implementing the core elements of the Statewide Plan to ensure statewide consistency and implementation of quality programs for customers (Program Administrators Brief at 112). No other party addressed this issue on brief.

3. Analysis and Findings

The Department finds the Compact's ability to individually coordinate with and support its Community First Partner at no additional cost sufficiently replaces the need for Community First Partner coordination through a separate lead vendor. Therefore, the Department allows the Compact to directly and individually coordinate with its Community First Partner. In its next Annual Report, the Compact shall identify its selected Community First Partner for the Three-Year Plan term. As discussed in Section VI, this Three-Year Plan term includes novel approaches to statewide coordination. To ensure that the Compact's exemption from Community First Partner coordination through the Program Administrators' lead vendor does not inhibit statewide program coordination efforts, the Compact's Annual Report shall include information on: (1) how the Compact is ensuring statewide consistency and implementation of quality programs for customers despite managing its own Community First Partner instead of using the Program Administrators' lead vendor; and (2) how the Compact is coordinating with other Program Administrators to ensure this consistency and quality.

D. Allocation of Shared Costs

1. Introduction

The Compact has two core functions: (1) administering approved energy efficiency programs; and (2) administering a municipal aggregation power supply program. 2022-2024 Three-Year Plans Order, at 279. Accordingly, there are a number of shared costs that the Compact must allocate between its energy efficiency and municipal aggregation programs.[181] 2022-2024 Three-Year Plans Order, at 279. Certain costs that are indirect or shared between the Compact's municipal aggregation and energy efficiency functions (e.g., staff salaries, office space, and insurance) must be allocated between the two functions based on appropriate allocation factors. 2022-2024 Three-Year Plans Order, at 279-280. The Department must approve the allocation method and resulting allocation factors. 2019-2021 Three-Year Plans Order, at 142; 2022-2024 Three-Year Plans Order, at 290.

For the 2025-2027 Three-Year Plan term, the Compact proposes to revise the allocation methods and resulting factors that it will use for certain shared expenses between its energy efficiency and municipal aggregation budgets (Exh. CLC-2, Att. CLC-5 (Rev.) at 1-2). With certain exceptions, the Compact proposes to apply the following principles to determine allocations for each shared cost category: (1) using the same allocation method and resulting factors for each cost within a shared cost category; (2) using the same allocation factors for both planning and reporting; and (3) determining the allocation factors using the previous six years of available data (Exh. CLC-2, Att. CLC-5 (Rev.) at 7).

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[181] For a detailed discussion of the Compact's two core functions and the cost allocation issues implicated, see 2022-2024 Three-Year Plans Order, at 279-297.

Except for the financial services cost category, the Compact proposes to use the same allocation methods it applied in the last Three-Year Plan term (Exh. CLC-2, Att. CLC-5 (Rev.) at 1, 26-27; Tr. 2, at 398-401, 404, 406, 408-410; RR-DPU-7). The Compact further proposes to update the resulting allocation factors for all applicable cost categories by using average data for the last six years (Exh. CLC-2, Att. CLC-5 (Rev.) at 1 & n.2, 28 & Table 16; Tr. 2, at 404, 406, 408-409; RR-DPU-7). Applying these same methods, the Compact proposes to update the allocation factors for each applicable cost category from: (1) 94 percent energy efficiency – six percent municipal aggregation; to (2) 93 percent energy efficiency – seven percent municipal aggregation (Exh. CLC-2, Att. CLC-5 (Rev.) at 1, 27).

For the financial services cost category, the Compact proposes to change the allocation method from an allocation based on employee time dedicated to each activity to an allocation based on proportionate share of the annual budget of each activity (Exh. CLC-2, Att. CLC-5 (Rev.) at 1, 26-27; Tr. 2, at 410). Applying this revised method, the Compact proposes to update the allocation factor for the financial services cost category from: (1) 94 percent energy efficiency – six percent municipal aggregation; to (2) 98 percent energy efficiency – two percent energy municipal aggregation (Exh. CLC-2, Att. CLC-5 (Rev.) at 1, 24-267 Tr. 2, at 413).

The Compact proposes to continue to apply case-specific factors to allocate legal services;[182] however, the Compact notes that shared legal services are embedded within the Compact's total legal services costs and proposes to project its total legal services costs relative to its total spending on legal services in the 2022-2024 Three-Year Plan term as a benchmark,

182 The Compact proposes to apply the proposed 93 percent – seven percent allocation factor for organizational legal matters (Exh. CLC-2, Att. CLC-5 (Rev.) at 1).

instead of conducting the analysis each year and using a set allocation as it currently does (Exh. CLC-2, Att. CLC-5 (Rev.) at 1 & n.2; Tr. 2, at 398-403; RR-DPU-7).

2. Positions of the Parties

The Compact argues that it has presented a detailed study highlighting the cost drivers for the Compact's shared costs and a detailed cost allocation proposal, in accordance with the Department's prior directives (Program Administrators Brief at 116, citing Exh. CLC-2, Att. CLC-5 (Rev.)). The Compact maintains that, in choosing the proposed allocation methods, it has adequately considered: (1) Department precedent on cost allocation; (2) the Department's previous direction to the Compact on shared costs; (3) the individual cost drivers for each shared cost; (4) the administrative burden related to the Compact's calculation of shared costs; and (5) the administrative burden on the Department and stakeholders to review the supporting material presented by the Compact (Program Administrators Brief at 116, citing Exh. CLC-2, Att. CLC-5 (Rev.) at 6). The Compact asserts that the allocation principles it has applied for all shared costs, except shared legal costs, simplify the shared cost allocation process (Program Administrators Brief at 117, citing Exh. CLC-2, Att. CLC-5 (Rev.) at 7; Tr. 2, at 404-405).

The Compact justifies its proposed cost allocation method for the financial services category by maintaining that the common driver of financial services costs is the overall size of the Compact's energy efficiency or operating budget. The Compact further argues that the activity with the larger annual budget in this instance (i.e., its energy efficiency programs) should bear a greater share of the expenses (Program Administrators Brief at 116-117, citing Exh. CLC-2, Att. CLC-5 (Rev.) at 26).

For the legal services category, the Compact argues that it is difficult to estimate the Compact's total shared legal costs for any given year so it is best not to estimate an annual total for shared legal costs but rather to treat them as a subset of overall legal costs and plan for them based on review of prior three-year term legal cost budgets (Program Administrators Brief at 117, citing Exh. CLC-2, Att. CLC-5 (Rev.) n.2; RR-DPU-7). The Compact further argues that these costs vary significantly from year to year due to the status of different Department dockets as well as organizational matters within the Compact that arise at times (Program Administrators Brief at 117, citing Exh. CLC-2, Att. CLC-5 (Rev.) n.2; RR-DPU-7). The Compact argues that variances in legal costs should be addressed separately from explanations for variances in other cost categories, which it avers should be addressed within Annual Reports and Term Reports when there are changes between planned and actual energy efficiency costs greater than ten percent (Program Administrators Brief at 118, citing Exh. CLC-2, Att. CLC-5 (Rev.) at 27). No other party addressed this issue on brief.

3. Analysis and Findings

The Department reviews the reasonableness of the Compact's proposed allocation methods and resulting factors. In particular, the Department will evaluate whether the proposed methods of allocating costs are appropriate for the identified cost categories. 2022-2024 Three-Year Plans Order, at 290. In considering the reasonableness of a proposed allocation method, the Department must ensure that the method is based on the appropriate cost drivers and the resulting cost allocation does not result in an improper subsidization of the Compact's municipal aggregation program by its ratepayer-funded energy efficiency program. 2022-2024 Three-Year Plans Order, at 290-291. In considering the reasonableness of a proposed

allocation factor, the Department considers whether the proposed data is an appropriate basis to calculate the allocation factor. 2022-2024 Three-Year Plans Order, at 290.

For all cost categories except financial services, the Compact proposes to continue to apply in the 2025-2027 Three-Year Plan term the same methods it currently uses to allocate shared costs between energy efficiency and municipal aggregation budgets (Exh. CLC-2, Att. CLC-5 (Rev.) at 27). It further proposes to update all resulting allocation factors using recent data (Exh. CLC-2, Att. CLC-5 (Rev.) at 27). As directed by the Department in the 2022-2024 Three-Year Plan Order, at 297, the Compact conducted a study designed to support its proposed allocation method and resulting factors (Exh. CLC-2, Att. CLC-5 (Rev.)). After review, and as discussed further below, we find that it is reasonable for the Compact to continue to allocate shared costs using the existing allocation methods and to update the resulting allocation factors based on updated data as required by the Department in the 2022-2024 Three-Year Plan Order, at 297.

The Compact maintains that the appropriate cost driver for the financial services category should be its comparative total budget size (energy efficiency to municipal aggregation) rather than employee time, the driver that it currently applies to allocate costs in this category (Exh. CLC-2, Att. CLC-5 (Rev.) at 1, 26-27; Tr. 2, at 410). The resulting allocation factors under this proposed change in method would be 98 percent to the energy efficiency program budget and two percent to the municipal aggregation budget (Exh. CLC-2, Att. CLC-5 (Rev.) at 1, 24-27; Tr. 2, at 413). Under the existing allocation method for this category, as updated using the most recent data, the resulting allocation factor would be 93 percent to the energy

efficiency budget and seven percent to municipal aggregation budget (see Exh. CLC-2, Att. CLC-5 (Rev.) at 28 & Table 16).

The Department finds that the Compact has not satisfied its burden to support its proposed change in method to allocate shared financial services costs based on the proportionate share of the annual budget of each activity rather than on employee time. The Compact asserts that the size of the organization, and specifically the budget size, serves as a "significant cost driver" for financial services costs, which range from $183,422 to $328,591 over the six-year period for which full-year data is available (see Exh. CLC-2, Att. CLC-5 (Rev.) at 24 & Table 14). Given the significant year-to-year variation within this cost category, the Department finds the Compact has not sufficiently demonstrated a causal relationship between annual budgets and these costs. Accordingly, the Compact shall continue to allocate its shared financial services costs using the current method, resulting in an allocation of 93 percent shared costs to the energy efficiency budget and seven percent of shared costs to the municipal aggregation budget, based on the last six years of data (see Exh. CLC-2, Att. CLC-5 (Rev.) at 28 & Table 16).

As noted above, other than shared costs related to consumer advocacy and other legal matters, the Compact proposes to maintain the same allocation methods and update its resulting allocation factors (i.e., 93 percent to the energy efficiency budget and seven percent to the municipal aggregation budget) based on the last six years of data. The Department has reviewed the resulting allocation factors using this method and finds that they are reasonable.

The Compact proposes to continue to base the allocation factors for consumer advocacy and other legal matters (excluding organizational legal matters) on case-specific factors (Tr. 2,

at 403; RR-DPU-7). Further, due to the variability of legal costs, the Compact proposes for all legal services category allocation factors to be based on projections from shared legal costs being treated as a subset of overall 2022-2024 Three-Year Plans term legal costs (Exh. CLC-2, Att. CLC-5 (Rev.) at 1 & n.2, Tr. 2, at 398-403; RR-DPU-7).

As we have previously noted, any apportionment of costs arising from participation in Department matters that may interest the Compact as both a Program Administrator and a municipal aggregator should be carefully scrutinized to prevent energy efficiency customers from inadvertently subsidizing other functions. 2022-2024 Three-Year Plans Order, at 293-295, citing Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 15-120, Petition for Leave to Intervene of the Cape Light Compact (March 30, 2016). Analyzing such costs on a case-specific basis helps ensure such scrutiny is applied and, therefore, is reasonable. But for the same reasons, the Department finds the proposed merger of shared and total legal costs with project shared legal costs to be at odds with the goals of case-specific allocation. Although the calculation of legal services costs may be "lumpy," as claimed by the Compact, and more complex, the Compact has demonstrated such calculations for shared legal services alone are possible and, in fact, the Compact used shared legal costs alone to establish a set allocation factor each year of the 2022-2024 Three-Year Plan term (see, e.g., Exh. CLC-2, Att. CLC-5 (Rev.) at 9, Table 4). 2022-2024 Three-Year Plan Order, at 296. The Department finds that the Compact has failed to meet its burden to change the allocation method for shared legal services costs (i.e., based on a projection of total legal services costs relative to the Compact's total spending on legal services in the 2022-2024 Three-Year Plan term as a benchmark). The Compact shall continue to base its allocation of shared legal services category

costs using the current Department-approved method (i.e., based on projections from shared legal costs alone).

The Compact shall continue to report actual costs for all shared cost categories in its Annual and Term Reports. The Compact shall also provide explanations for all variances in planned and actual energy efficiency costs greater than ten percent for all shared cost categories. The Department does not at this time require a detailed cost allocation study in the Compact's next Three-Year Plan filing unless the Compact proposes a change in allocation methods or factors.[183] The Department may in the future require such a study if, for example, the Compact alters its proffered methodology. The Department expects that the Compact's next cost-allocation proposal will continue to be supported by sufficient data.

E. Interest Waiver

1. Introduction

As we have noted previously, the Compact is a municipal aggregator that has received Department approval to act as the energy efficiency Program Administrator for electric customers in its member municipalities pursuant to G.L. c. 164, § 134. NSTAR Electric is the

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[183] As the Department discusses in Section XIII.F below, the Compact will be required to transfer certain duties within its existing shared call center to a statewide contact center jointly maintained by all Program Administrators. The Department directed the Compact to file a report describing the process it will use to transfer these energy efficiency-related duties to the statewide contact center. The Compact will retain an individual customer call center for joint energy efficiency/municipal aggregation purposes, but the Department expects that much of the contact volume related to energy efficiency will be transferred to the statewide contact center. As part of its required transition report, the Compact shall document and report the volume and purpose of all call center contacts (i.e., whether the contact is related to municipal aggregation of energy efficiency). The Department will review these data, in part, to establish an appropriate shared cost allocation factor for the Compact's call center costs going forward.

electric distribution company for the Compact's member municipalities and collects the EERF on behalf of the Compact as a component of the EES pursuant to NSTAR Electric's energy efficiency charges tariff, M.D.P.U. No. 50F.[184]

In Cape Light Compact JPE, D.P.U. 23-40, at 7 (2023), the Department determined that the Compact's interest calculation method was not consistent with the method specified in NSTAR Electric's EES tariff. As required by the Department, the Compact submitted a petition to the Department requesting a waiver of the relevant provisions of M.D.P.U. No. 50E, which the Department docketed as D.P.U. 24-32. The Department consolidated the matter with the Compact's instant Three-Year Plan proceeding. D.P.U. 24-146, Hearing Officer Memorandum (December 9, 2024).

Under M.D.P.U. No. 50E, the interest rate calculated on the average monthly balance uses the customer deposit rate, as outlined in 220 CMR 26.09. M.D.P.U. No. 50E at 3; D.P.U. 24-32, Exh. CLC-1, at 7-8. Specifically, the rate of interest must be equivalent to the rate paid on two-year U.S. Treasury notes for the preceding 12 months. M.D.P.U. No. 50E at 3; D.P.U. 24-32, Exh. CLC-1, at 7-8. The Compact, however, estimates separate rates for surplus and borrowing balances because it could earn interest for positive balances at one rate and would need to borrow money to cover negative balances at a different rate (D.P.U. 24-32, Exh. CLC-1, at 5-6).

[184] The Compact's filing in D.P.U. 24-32 refers to tariff M.D.P.U. No. 50E. However, this tariff has since been cancelled and replaced by M.D.P.U. No. 50F, which went into effect on January 1, 2025. The remainder of this discussion references M.D.P.U. No. 50E, consistent with the Compact's filing, and it applies equally to M.D.P.U. No. 50F.

The Compact proposes to continue applying its historical approach to calculating interest on its energy efficiency deferral balance (D.P.U. 24-32, Petition at 6-7). The Compact proposes to continue to present the actual interest rates available at the time of its EES filings (D.P.U. 24-32, Exh. CLC-1, at 5). For months with actual data available, the Compact proposes to apply interest on deferral balances representing interest the Compact earned or paid for balances in its financial accounts at its banking institution (D.P.U. 24-32, Exh. CLC-1, at 6). When actual data are not available, the Compact proposes to use the annual percentage yield for its energy efficiency bank account for expected monthly positive deferral balances and the prime rate, as published by the Wall Street Journal, for expected monthly negative deferral balances, which the Compact confirms is what its bank would charge for short-term lending (D.P.U. 24-32, Exh. CLC-1, at 6).

2. Positions of the Parties

a. Cape Light Compact

The Compact argues that historically it has not applied the interest rate as defined in M.D.P.U. No. 50E to its EES filings, because it instead prefers to uses the most accurate and up-to-date information available at the time of EES filings, either through actual interest rates or planning with the surplus and borrowing rates the Compact expects to be available through its banking institutions (Program Administrators Brief at 119-120, citing D.P.U. 24-32, Petition at 12-13; D.P.U. 24-146, Exh. DPU-Compact 3-3). The Compact also maintains that Massachusetts municipal finance law prohibits the Compact from applying interest at the customer deposit rate as described in M.D.P.U. No. 50E (Program Administrators Brief at 120, citing D.P.U. 24-32, Exh. CLC-1, at 9-10; D.P.U. 24-146, Exh. DPU-Compact 3-3). As such,

the Compact avers that requiring interest rates not available to the Compact misrepresents costs and revenues to ratepayers and is therefore not in the public interest (Program Administrators Brief at 120, citing Exh. DPU-Compact 3-3).

The Compact asserts that if it is required to comply with the interest rate calculation set forth by M.D.P.U. No. 50E, then it can apply any interest rate to borrowing and surplus balances for planning purposes, so long as the rate is subject to later true-up with actual values, consistent with the fully reconciling funding mechanism required by G.L. c. 25, § 21(d)(2) (Program Administrators Brief at 120, citing Exh. DPU-Compact 3-3). Notably, the Compact does not object to the Attorney General's alternative recommendations as to the interest rate to be applied to its energy efficiency balance (Program Administrators Reply Brief at 30-31, & n.27, citing Attorney General Brief at 28-29).

b. Attorney General

With respect to the Compact's calculation of interest on energy efficiency deferrals, the Attorney General argues that the Department should deny the Compact's proposal to collect interest at the prime rate on any under-collections as the Compact has offered no persuasive rationale to charge its customers a higher rate for under-collections than it proposes to pay its customers on over-collections (Attorney General Brief at 29). The Attorney General asserts that the Compact has never taken out a loan due to under-collection of energy efficiency revenues, nor has it taken out a loan for other energy efficiency delivery purposes and, therefore, the Compact's argument that the prime rate is the applicable rate if it took out a loan is irrelevant (Attorney General Brief at 29, citing D.P.U. 24-32, Exh. AG-1-1). Instead, the Attorney General maintains that the Compact should be required to apply the same month-to-month interest rate it

earns on its bank balances to both over- and under-collections (Attorney General Brief at 27-29). The Attorney General argues that her proposed method provides a "reasonable" interest payment to customers on any over-collections and to the Compact on any under-collections (Attorney General Brief at 28). The Attorney General further maintains that the Compact should be required to provide evidentiary support for any interest charges/credits with its annual filings (i.e., bank statements showing monthly interest rates) (Attorney General Brief at 28). To the extent the Compact needs to apply forecasted interest to calculate the EERF, the Attorney General argues that the Compact should base its forecast on a simple average of the last three months of interest on its bank accounts (Attorney General Brief at 28-29).

3. Analysis and Findings

The Department does not approve the Compact's initial proposal to allow calculation of interest on the Compact's energy efficiency deferral balance by using the annual percentage yield for expected monthly positive deferral balances and the prime rate for expected monthly negative deferral balances (D.P.U. 24-32, Petition at 4). The Department also rejects the Compact's proposal to apply any interest rate to the borrowing and surplus balances for planning purposes, with this rate subject to later true-up with actual values. The Compact has not provided sufficient justification for using two different interest rate calculations for over- and under-recoveries.

The Department agrees that the Attorney General's alternative recommendation is reasonable and instructs the Compact to apply the same month-to-month interest rate it earns on its bank balances to both over- and under-collections (Attorney General Brief at 27-29). The Department further instructs the Compact to provide evidentiary support in each annual EERF

filing for any interest charges or credits. To the extent the Compact needs to apply forecasted interest to calculate the EERF, the Compact shall base its forecast on a simple average of the last three months of interest on its bank accounts (Attorney General Brief at 29).[185]

F. Historical Issues

1. Introduction

Numerous of the issues addressed in this Order both specific to the Compact (e.g., allocation of shared expenses) and broadly applicable to all Program Administrators (e.g., apportionment of costs and benefits for joint projects) have been addressed previously—some repeatedly—in three-year plan proceedings, individual EERF filings, Term Reports, and other matters, several of which remain pending. The Department observes that, given the findings contained herein and particularly given the transitional nature of the 2025-2027 Three-Year Plans in the context of the Commonwealth's GHG emissions reductions goals, the findings herein have resolved or rendered moot numerous of these outstanding issues and matters. In the interest of administrative efficiency and clarity, the Department briefly addresses those pending matters here. For the reasons we articulate, the Department considers that there need not be a separate resolution of these issues, and we will issue an appropriate Order or memorandum in each docket to that effect.

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[185] Within 30 days of the date of this Order, NSTAR Electric shall file a revised energy efficiency charges tariff to incorporate the revised interest calculation method for the Compact approved herein.

2. Mutual Customers

Because National Grid (gas) and the Compact have overlapping service areas on Cape Cod, certain customers may be eligible for energy efficiency services as a gas customer of National Grid (gas) and as an electric customer in the communities the Compact is authorized to provide energy efficiency services to pursuant to D.T.E. 00-47-C ("Mutual Customers"). 2022-2024 Three-Year Plans Order, at 269. Since the 2016-2018 Three-Year Plans proceeding, the Compact and National Grid (gas) have proffered differing solutions to the question of how best to serve Mutual Customers in a manner consistent with applicable law. 2022-2024 Three-Year Plans Order, at 269, citing 2016-2018 Three-Year Plans Order, at 116-118; 2019-2021 Three-Year Plans Order, at 143-146. National Grid (gas) submitted a petition seeking resolution of this dispute, which the Department docketed as D.P.U. 16-169. Pending resolution of that matter, the Department has addressed the treatment of Mutual Customers in detail, most recently in 2022-2024 Three-Year Plans Order, at 269-278.

As we explained in 2022-2024 Three-Year Plans Order, the Department primarily was concerned with potential disparate treatment of Mutual Customers depending on whether they contacted the Compact or National Grid (gas) for services. 2022-2024 Three-Year Plans Order, at 277-278. The Department, therefore, ordered that the Compact and National Grid (gas) must adhere to the established statewide coordination protocols for shared costs and savings that apply in other instances where gas and electric Program Administrators both serve a customer. 2022-2024 Three-Year Plans Order, at 277. The Department found this would ensure that all Program Administrators implement their 2022-2024 Three-Year Plans in a consistent manner with respect to how measures are installed, and savings are claimed among all other Program

Administrators. 2022-2024 Three-Year Plans Order, at 277. The Department ordered that its directives remain in place subject to resolution of D.P.U. 16-169.[186] 2022-2024 Three-Year Plans Order, at 277.

Given our findings in Section VI allowing for the first time a joint statewide pool for prescriptive electrification measures to meet statewide GHG emissions reductions targets, the Department observes that coordination among all Program Administrators is more critical than ever before. We also find that certain of the Compact's prior arguments as to its status as a unique actor within its role as an electric Program Administrator[187] to be incongruous both with our subsequent rulings and the evolution of the Mass Save program. Our prior directive as articulated in the 2022-2024 Three-Year Plans Order that the Compact should follow established statewide protocols when coordinating delivery of services with other Program Administrators is consistent with and indeed a necessary predicate to the Compact's participation in statewide electrification efforts. We, therefore, find that given our previous determinations and the

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186 In an EERF filing subsequent to the 2022-2024 Three-Year Plans Order, the Compact suggested that the Department's directives as to the treatment of Mutual Customers applied only to residential sector customers and not income-eligible Mutual Customers, so that the Compact would continue to serve income-eligible Mutual Customers who heat with natural gas. Cape Light Compact JPE, D.P.U. 22-135, at 10 (2022). The Department again emphasized that its directive to the Compact to follow the statewide coordination protocols regarding Mutual Customers was intended to apply to all customers. D.P.U. 22-135, at 10.

187 The Department need not rule on the authority (or any limits thereon) of the Compact as a municipal aggregator under G.L. c. 164, § 134(b). The Compact previously has proposed and offered enhanced incentives and other programs pursuant to Section 134(b). The Department again notes that for the 2025-2027 Three-Year Plan term the Compact has not proposed a suite of unique enhancements but is largely proposing to implement the Statewide Plan alongside the other Program Administrators.

structure and proposals in the 2025-2027 Three-Year Plans, the treatment of Mutual Customers between the Compact and National Grid (gas) has been resolved for future programs and the consideration of prior programming structures is moot.

3. Allocation of Shared Costs

As noted in our discussion above, issues arising from the Compact's allocation of shared costs between its municipal aggregation and energy efficiency budgets has been the subject of repeated Department inquiry and analysis. See, e.g., Cape Light Compact JPE, D.P.U. 20-122, at 5 (2020); Cape Light Compact JPE, D.P.U. 19-136, at 5-6 (2019). The Department's analysis of this issue essentially has been an iterative process through annual EERF filings as well as Three-Year Plan proceedings wherein the Compact has responded to Department directives regarding our generally applicable standards for cost allocation, permissible allocation methods, and the underlying data necessary to calculate allocation factors, culminating in our approval here with limited exception the allocation methods and factors proposed for the 2025-2027 term.

In the 2022-2024 Three-Year Plans Order, at 279-297, the Department again analyzed cost allocation and directed the Compact to present a detailed cost allocation proposal, including a detailed study of the cost driver(s) for each category of shared costs. For costs to be allocated based on employee time, the Department directed that the Compact should analyze employee time spent on municipal aggregation versus energy efficiency tasks over a six-year period. 2022-2024 Three-Year Plans Order, at 293-294. At the time of the compliance filing, the Compact represented that it had such employee tracking data only from April 2019 forward. Cape Light Compact JPE, D.P.U. 21-126, Compliance Filing, Att. 1, "Proposed Shared Cost Allocation Factor" (April 1, 2022); D.P.U. 22-135, at 8-9.

The Department emphasizes that for its 2025-2027 Three-Year Plan, the Compact appropriately presented a detailed study of the cost drivers for the Compact's shared costs, as well as a detailed cost allocation proposal (Exh. CLC-2, Att. CLC-5 (Revised)). The Department, therefore, finds that the Compact not only has addressed our concerns regarding cost allocation not only for the 2025-2027 Three-Year Plan term, but essentially has rendered moot prior inquiries and discussions inherently limited by available data. The Department finds it is administratively efficient to resolve these matters[188] based upon the findings and rulings contained in this and prior Orders.

XIII. OTHER ISSUES

A. Presentation of EES on Gas Bills

1. Introduction

As described in Section IX, above, the Program Administrators collect their energy efficiency program costs through a fully reconciling funding mechanism, the EES. Each gas

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[188] The Department includes in this resolution EES filings as well as those Term Reports not resolved, in part, because of cost allocation issues. See, e.g., D.P.U. 22-119; D.P.U. 19-136; D.P.U. 20-122; D.P.U. 16-127; D.P.U. 19-96. The Department acknowledges that in approving Term Reports, certain findings are inherent, including that the Compact (1) reported its program savings, benefits, and costs accurately and reliably and (2) implemented its energy efficiency programs in a manner that was consistent with the Department-approved three-year plan. See Guidelines § 4.1.1; D.P.U. 11-120-B at 4. The Department finds, however, where the Term Reports of other Program Administrators were stamp approved, there is no basis to further delay approval of the Compact's Term Reports given the resolution of those unique issues. See, e.g., Fitchburg Gas and Electric Light Company, D.P.U. 19-97, Stamp Approval (September 23, 2020); NSTAR Gas Company, D.P.U. 16-126, Stamp Approval (August 31, 2017).

Program Administrators collects its EES as a component of its LDAF.[189] The gas Program Administrators do not present the EES as a separate line item on customer bills (Statewide Plan, Exh. 1, at 80).[190] In her direct testimony, the Attorney General requests that the Department direct the gas Program Administrators, for bill presentation purposes, to identify the EES as a separate line item on customer bills. Exh. AG-LN-1, at 58-59.

2. Positions of the Parties

a. Program Administrators

The Program Administrators maintain that they are "open to a discussion" of a bill redesign to present the EES as separate line item on gas bills. They argue, however, that this is not a simple formatting change and, therefore, it should be considered outside of the Three-Year Plan dockets (Program Administrators Brief at 105-106).

The Program Administrators assert that the Department previously declined to require a complete itemization of all public policy charges on gas customers' bills (including energy efficiency and long-term renewable energy contract charges) to avoid creating unduly complex and confusing bills (Program Administrators Brief at 105, citing Report to the Joint Committee on Telecommunications, Utilities and Energy, D.P.U. 13-51, 25 (2013)). To the extent it is inclined to reconsider the issue, the Program Administrators argue that the Department should

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189 In addition to the EES, the LDAF collects costs related to environmental response, Attorney General consultants, residential assistance, and the gas system enhancement program. See, e.g., National Grid (gas), M.D.P.U. No. 402Y.

190 The electric Program Administrators present energy efficiency charges (i.e., EERF, RCS) separately on customer bills. See NSTAR Electric, M.D.P.U. No. 50F; National Grid (electric), M.D.P.U. No. 1556; Unitil (electric), M.D.P.U. No. 436.

investigate bill presentation in a separate investigation, which would allow participation of interested stakeholders and a thorough assessment of any associated costs (Program Administrators Brief at 106).

b. Attorney General

The Attorney General argues that the gas Program Administrators should present the EES as a separate line item on customer bills to increase transparency. The Attorney General maintains that the current aggregation of energy efficiency costs within the LDAF on gas customers' bills has resulted in "customer uncertainty and consternation" about rising monthly bills (Attorney General Brief at 4, 24-25). The Attorney General clarifies that, contrary to the Program Administrators' assertions, she is not proposing that every statutorily mandated charge in the LDAF be separately identified on gas bills (Attorney General Reply Brief at 9, 24, citing Program Administrators Brief at 105-106). Instead, the Attorney General asserts that the EES is a unique charge given its magnitude and consequent bill impact and, therefore, merits separate identification on gas customers' bills (Attorney General Brief at 25; Attorney General Reply Brief at 9, citing Exh. AG-LN-1, at 58-59).

The Attorney General contends that the current lack of transparency on gas bills prevents customers from understanding how much energy efficiency programs contribute to their monthly charges (Attorney General Brief at 24; citing Exh. AG-LN-1, at 58). The Attorney General disputes the Program Administrators' claim that adding an EES line item to gas bills will create customer confusion (Attorney General Reply Brief at 9; citing Program Administrators Brief at 105-106). Instead, the Attorney General argues that identifying the EES as a separate line item on gas bills will produce no more confusion than the identical presentation on electric

bills.[191] Finally, the Attorney General argues that identifying the EES as a separate line item on gas bills will help the Program Administrators rebut ratepayers' incorrect assumption that all bill increases represent utility-driven costs or profits (Attorney General Reply Brief at 9-10, citing Exh. AG-LN-1, at 58-59).

3. Analysis and Findings

Ratepayer funds supporting the Commonwealth's energy efficiency programs are collected through the EES, which currently is bundled together with other public policy[192] charges in the LDAF on gas customers' bills (Statewide Plan, Exh. 1, at 80; Exh. AG-LN-1, at 58). The EES is currently not itemized as a separate line item on the bill and, therefore, gas customers cannot see the per-therm EES rate or the total amount it adds to their gas bill each month.

The Attorney General urges the Department to require the gas Program Administrators to present the EES as a separate line item on customer bills. She argues that this bill presentation is necessary because the "energy efficiency and decarbonization imperative is increasing dramatically" and energy efficiency costs have become a much larger portion of customer bills (Attorney General Brief at 24; Exh. AG-LN-1, at 58). The Program Administrators, while expressing an openness to discussing changes in bill presentation, argue that the Department should consider this issue in a separate investigation (Program Administrators Brief at 106). The

[191] The Attorney General notes that energy efficiency charges are separately listed on electric customers' bills (Attorney General Brief at 24).

[192] Public policy charges include charges for programs specifically designed to further a public policy of the Commonwealth. D.P.U. 13-51, at 8.

Department finds, however, that a separate investigation is not necessary to address the presentation of the EES on gas bills. Our consideration of bill presentation in the instant Three-Year Plan proceedings is limited to the gas EES; we do not address the itemization of all other public policy charges.

The Department has previously found that consolidating various unrelated public policy charges results in less transparent bills. D.P.U. 13-51, at 8. The Program Administrators indicate that they are technologically capable of presenting the EES as a separate, per-therm line item on gas bills (Exh. AG-Gas 1-1; Tr. 2, at 352). We find that listing the gas EES charge as a separate line item will not result in a customer bill that is overly long, complex, or confusing. The Department further finds that it essential for gas customers to clearly see the impact of energy efficiency and decarbonization investments on their bills, consistent with how this information is currently presented on electric customers' bills (Exh. AG-LN-1, at 58-59). This is especially true given the magnitude of the EES as compared to the other public policy charges on the gas bill.[193] Therefore, for bill presentation purposes, each gas Program Administrators shall present the EES as a separate line item on customer bills prior to the start of the next heating season.

On or before June 1, 2025, each gas Program Administrator shall submit a compliance filing describing how it will present the EES as a separate per-therm line item on customer bills no later than November 1, 2025. In addition, such filings shall include an estimate of the

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193 For example, 65 percent of the LDAF for NSTAR Gas that went into effect on November 1, 2024, or 25 percent of a total bill using 126 therms, is attributable to increases in the EES. NSTAR Gas Company, D.P.U. 24-PGAF-NSTAR at 2 (2024).

incremental costs required to implement this change above those already recovered in base distribution rates and/or other rate factors.[194]

B. Supplier and Workforce Diversity

1. Program Administrators Proposal

The Program Administrators state that they are committed to developing an energy efficiency workforce that reflects the diversity of the communities and customers they serve (Statewide Plan, Exh. 1, at 33-35, 241). To this end, the Program Administrators propose to set an "aspirational benchmark"[195] to spend 15 percent of the dollar volume of direct Mass Save contracts for energy efficiency and decarbonization programs with diverse suppliers (Statewide Plan, Exh. 1, at 34). The Program Administrators state that this benchmark was informed by the Council's recommendations (Statewide Plan, Exh. 1, at 34).

The Program Administrators state that they also intend to collaborate with MassCEC on programs to support workforce diversity. The Program Administrators state that these collaborative programs will include: (1) training for contractors and job seekers who prefer to be served in a language other than English; and (2) business development support for minority- and woman-owned business enterprises (Statewide Plan, Exh. 1, at 33, 241).

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[194] Despite the fact that the Attorney General addressed gas bill presentation in her testimony and through discovery, the Program Administrators were unwilling or unable to produce an estimate of the costs required to present the EES as a separate line item on gas bills (Tr. 2, at 349-352; Exh. AG-Gas 1-2; Exh. AG-LN-1, at 58-59).

[195] The Program Administrators state that the proposed benchmark does not require a certain quota or percentage of spending on diverse suppliers and, further, they will not use the benchmark to preference or disadvantage any suppliers (Statewide Plan, Exh. 1, at 34 n.1).

In addition, the Program Administrators state that they intend to support diverse supplier participation through the following initiatives: (1) disseminating requests for proposals ("RFPs") to diverse supplier organizations and directly inviting diverse suppliers to respond to specific RFPs; (2) conducting annual supplier diversity summits to promote opportunities to work with Mass Save; (3) connecting diverse suppliers with lead vendors; (4) asking some vendors to voluntarily identify a percentage of spending on diverse subcontractors; (5) allowing suppliers to self-certify diversity status; and (5) funding diverse vendor networking opportunities (Statewide Plan, Exh. 1, at 34-35; Exh. DPU-Comm 8-1).

Finally, the Program Administrators state that they intend to address opportunities for returning citizens[196] to work in the Mass Save programs. Specifically, the Program Administrators state that no later than January 2026, they intend to: (1) meet with advocates,[197] the Attorney General, and DOER to gain input; and (2) develop common set of principles to address opportunities for returning citizens (Statewide Plan, Exh. 1, at 33).

The Program Administrators intend to provide information about diverse suppliers on the Mass Save website for interested customers (Statewide Plan, Exh. 1, at 255). In addition, the Program Administrators intend to develop several KPIs to report the following information to the

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196 Returning citizens include people who have been previously incarcerated or been impacted by the criminal justice system (see Statewide Plan, Exh. 1, at 31 & n.4; App. D at 24). See also Browning the Green Space, Comments submitted to Council (September 20, 2023), at 1 (available at https://ma-eeac.org/wp-content/uploads/230920-BGS-EEAC-Statement.docx.pdf).

197 In public comments filed in these dockets, several members of the Coalition for Green CORI Inclusion state that they look forward to working with the Program Administrators on the important issue of criminal background check policy reform (Comments of Browning the Green Space, et al., at 1 (December 5, 2024)).

Council on an annual basis: (1) the total dollars spent on direct contracts with Mass Save and the subset of these dollars spent on diverse suppliers; (2) the total number and percentage of diverse suppliers directly invited to participate in statewide RFPs; and (3) the total number and percentage of diverse suppliers who respond to statewide procurements (Statewide Plan, Exh. 1, at 34).

2. Positions of the Parties

a. Program Administrators

The Program Administrators argue that a "stable, trained, diverse, and adaptable" workforce is essential to the success of the Mass Save programs. To this end, the Program Administrators maintain that they are committed to several initiatives aimed at increasing supplier diversity, including the establishment of a 15 percent diverse spending benchmark (Program Administrators Brief at 31-33). The Program Administrators further maintain that they are committed to a close collaboration with MassCEC on workforce diversity efforts (Program Administrators Reply Brief at 19).

In response to CLF's recommendation that the Program Administrators collect more information from MassCEC about how Mass Save funding is used to enhance supplier diversity, the Program Administrators note that MassCEC has agreed to provide information about its workforce diversity efforts through quarterly reports and other presentations to the Council (Program Administrators Reply Brief at 19-20, citing CLF Brief at 40-42; Statewide Plan Exh. 1, at 241 & App. M at 4; Exh. AG-Comm 1-2). The Program Administrators argue this reporting obviates the need for MassCEC to establish additional workforce diversity targets, as suggested by CLF (Program Administrators Reply Brief at 19-20, citing CLF Brief at 40-42).

b. Department of Energy Resources

DOER supports the Program Administrators' efforts to track and increase supplier diversity (DOER Brief at 27-28, citing Statewide Plan, Exh. 1, App. E at 6). DOER further supports the adoption of a 15 percent benchmark for Mass Save spending with diverse suppliers (DOER Brief at 28, citing Exh. 1, at 255).

c. Conservation Law Foundation

CLF supports the various efforts included in the proposed Three-Year Plans to increase supplier diversity in the energy efficiency workforce, including the adoption of a supplier diversity benchmark of 15 percent (CLF Brief at 39-41). CLF argues that establishment of this benchmark furthers the Program Administrators' statutory obligation to promote equity and will allow stakeholders to measure workforce diversity progress (CLF Brief at 41). Finally, CLF encourages the Program Administrators to seek a greater level of transparency from MassCEC about how energy efficiency program funds will be used to support supplier diversity efforts (CLF Brief at 42).

3. Analysis and Findings

The proposed Three-Year Plans contain several statewide initiatives to support workforce and supplier diversity (Statewide Plan, Exh. 1, at 31-34). In particular, the Program Administrators propose to: (1) establish an aspirational benchmark to spend 15 percent of the dollar volume of direct Mass Save contracts for energy efficiency and decarbonization programs with diverse suppliers; and (2) work collaboratively with MassCEC on workforce diversity

efforts (Statewide Plan, Exh. 1, at 34; Exh. DPU-Comm 5-8).[198] In addition, the Program Administrators commit to work with stakeholders to develop a set of common principles to address opportunities for returning citizens to work in the Mass Save programs (Statewide Plan, Exh. 1, at 33).

The proposed initiatives aimed at increasing supplier and workforce diversity were developed in consultation with the Council (Statewide Plan, Exh. 1, at 241). No party raised objection to these initiatives; however, CLF seeks greater transparency from MassCEC about how it will use energy efficiency program funds to support workforce diversity efforts (CLF Brief at 42).

The Department fully supports the Program Administrators' proposed supplier and workforce diversity efforts. A well-trained and stable workforce is essential to the success of the Mass Save programs. We find that the Program Administrators' proposed initiatives addressing supplier and workforce diversity will help ensure that there is an adequate and skilled workforce available to meet future energy efficiency program needs. The Department further finds that the Program Administrators' proposed supplier and workforce diversity initiatives may drive long-term cost savings by ensuring that a broader pool of suppliers is available to compete for vendor contracts. Finally, the Department notes that our support for these initiatives is consistent

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[198] Pursuant to G.L. c. 25 § 19(d), the Department shall annually direct the Program Administrators to jointly transfer not less than $12 million in funds to MassCEC for its clean energy equity workforce and market development program. On October 25, 2024, the Department approved MassCEC's requests for the Program Administrators to jointly transfer $24 million in funds for fiscal year 2025 (starting July 1, 2024). Massachusetts Clean Energy Center, D.P.U. 24-159, at 1-2 (2024). For budget purposes, the Program Administrators assume a total statewide MassCEC assessment of $72 million over the Three-Year Plan term (Statewide Plan, Exh. 1, App. M).

with our statutory obligation to prioritize equity, among other things. G.L. c. 25, § 1A. For these reasons, the Department approves the proposed supplier and workforce diversity efforts contained in the Three-Year Plans.

The Department expects that the Program Administrators will continue to work closely with the Council and MassCEC to assess the success of these initiatives and recommend improvements over the Three-Year Plan term. We are confident that through this cooperation, MassCEC will provide appropriate transparency into how ratepayer-provided energy efficiency program funds are used to support supplier and workforce diversity efforts (Statewide Plan, Exh. 1, at 241 & App. M at 4; Exh. AG-Comm 1-2). The Department requests that MassCEC briefly summarize these efforts in all future requests for funding with the Department pursuant to G.L. c. 25 § 19(d). Finally, no later than April 1, 2026, the Program Administrators shall file a report with the Department describing their efforts to develop a common set of principles to address opportunities for returning citizens to work in the Mass Save programs.

C. Safeguarding Customer Data

1. Introduction

The Program Administrators must share certain customer data with various partners and vendors to implement their Three-Year Plans. To safeguard these data, each Program Administrator employs detailed confidentiality and cybersecurity protocols. In addition, the Program Administrators regularly file reports with the Council and Department that include data demonstrating their work implementing the Three-Year Plans. See, e.g., Guidelines § 4; 2022-2024 Three-Year Plans Order, at 149 n.105; G.L. 25, § 22(d). To protect the confidentiality of customer-specific data, the Program Administrators currently share aggregated

customer information pursuant to standards articulated by the Department in Data Privacy and Data Security Issue Related to Energy Efficiency Database, D.P.U. 14-141 (2014) (Statewide Plan, Exh. 1, at 272-273).

Below, the Department summarizes the protocols used by the Program Administrators to safeguard the privacy of shared customer data. The Program Administrators propose certain changes to the current data aggregation standards to facilitate the reporting of more granular data (Statewide Plan, Exh. 1, at 290; Exh. DPU-Comm 8-7, at 1). In addition, the Program Administrators propose to make changes to how they make data available to their Community First Partners (Statewide Plan, Exh. 1, at 283; Exhs. DPU-Comm 21-7; DPU-Comm 21-6).

2. Program Administrators' Proposals

a. Shared Customer Data

The Program Administrators state that their contracts with vendors (including evaluators, marketing, and advertising firms) include robust confidentiality and cybersecurity provisions to safeguard customer data (see, e.g., Exh. FGE-Gas-2, at 160). The Program Administrators maintain that these vendors are required to undergo information security reviews to protect against data breaches and must comply with internal information security policies (see, e.g., Exh. FGE-Gas-2, at 160).

The Program Administrators' relationships with contractors (i.e., independent installation contractors, home performance contractors, and heat pump installation contractors) are managed by lead vendors. The Program Administrators state that to participate in Mass Save programs, the contractors must sign a participation agreement that includes provisions to safeguard customer data (see, e.g., Exh. FGE-Gas-2, at 160-162).

With respect to trade allies, the Program Administrators indicate that customers directly hire home energy rating system ("HERS") raters to evaluate the energy features of their homes and prepare a report for the lead vendor to determine program eligibility (see, e.g., Exh. FGE-Gas-2, at 162). HERS raters are subject to the confidentiality and information security requirements described above for contractors and vendors (see, e.g., Exh. FGE-Gas-2, at 162-163).

Conversely, when Program Administrators partner with distributors to offer instant discounts to businesses, they do not share confidential customer information with the distributor (see, e.g., Exh. FGE-Gas-2, at 163). Instead, the Program Administrators send a dataset with customer account information electronically via an encrypted email service in accordance with information technology risk management policies (see, e.g., Exh. FGE-Gas-2, at 163). Finally, the Program Administrators engage in limited customer data sharing amongst themselves, subject to a mutual non-disclosure agreement (see, e.g., Exh. FGE-Gas-2, at 164).

In addition to vendor, contractor, trade ally, and inter-Program Administrator data sharing practices, each Program Administrator has its own set of cybersecurity controls that all entities must meet when contracting with that Program Administrator (Exh. DPU-Comm 21-5). The Program Administrators acknowledge that there are differences between individual Program Administrator's cybersecurity oversight and response protocols because these policies are applied to a broad range of activities across each entity (Tr. 1, at 212). The Program Administrators state that they will rely on the experience and expertise of their internal cybersecurity teams to strengthen and update their policies in the coming years (Tr. 1, at 213-216).

b. Data Privacy

The Program Administrators share customer data through: (1) required reporting to the Department and Council (i.e., Three-Year Plans, Annual Reports, Term Reports, quarterly Council reports); and (2) monthly data dashboards, statewide data tables, Mass Save Data,[199] Community First Partnership data sharing, customer profile studies, and KPIs (Statewide Plan, Exh. 1, at 272-273). The Program Administrators explain that these data are used by various entities (e.g., the Council, the public, academic institutions, municipalities, the media, the Legislature, and industry organizations) as a source of information on energy efficiency investments and associated savings and to measure progress towards the Commonwealth's climate goals (Statewide Plan, Exh. 1, at 272).

In reporting customer data as described above, the Program Administrators state that they follow Department-approved data aggregation standards to protect customer privacy (Statewide Plan, Exh. 1, at 290).[200] For the 2025-2027 Three-Year Plan term, the Program Administrators propose certain changes to the current data aggregation standards that are designed to allow more

[199] Mass Save Data is a database maintained by the Program Administrators that provides information related to participants, expenditures, annual and lifetime savings, electric capacity savings, and benefits. This information is provided at the sector, program, initiative, and measure levels and by county, municipality, and ZIP code (Statewide Plan, Exh. 1, at 280).

[200] Under existing aggregation standards, the Program Administrators report aggregated data at the ZIP code level. For C&I customers, there must be at least 15 customers with no customer accounting for more than 15 percent of the gas or electric usage before data will be displayed. For residential customers, there must be a minimum of 100 customers before data will be displayed (Statewide Plan, Exh. 1, at 290, citing D.P.U. 14-141).

granular data to be reported (Statewide Plan, Exh. 1, at 290; Exh. DPU-Comm 8-7, at 1).[201] Specifically, the Program Administrators propose that an aggregated dataset will be shared only where: (1) the population size for both residential and C&I is at least 20 customer accounts; (2) five or more cases are represented in the data cell; and (3) a process (known as "complementary suppression") is applied to prevent users from calculating suppressed data (Statewide Plan, Exh. 1, at 294-297). If these aggregation thresholds are not met, then the data point will be suppressed (Statewide Plan, Exh. 1, at 294-297 n.164).[202]

c. Community First Partners

The Program Administrators currently make the following data available to their Community First Partners via a lead vendor: (1) number of home energy assessments; (2) number of weatherization jobs; and (3) number of heat pumps installed by replaced fuel

201 Under the Program Administrators' proposal, geographic data will be shared at the census block group level as opposed ZIP code level (Statewide Plan, Exh. 1, at 290).

202 The Program Administrators propose to apply this standard to the most granular level of data shown, including any geographic view of data (e.g., town, ZIP code, or census block group) or if filters are applied to the data (e.g., by Program Administrator or building type). Data shared at a geographic level will be no more granular than the census block group level for residential customers and no more granular than municipality level for C&I customers except for the City of Boston, where ZIP code-level data are reported due to Boston's size and the unique characteristics of each neighborhood (Statewide Plan, Exh. 1, at 294).

(Statewide Plan, Exh. 1, at 282). With the exception of the Compact,[203,204] the Program Administrators propose to: (1) execute an updated non-disclosure and data use agreement[205] with all new partners for the upcoming Three-Year Plan term to ensure that shared customer data are sufficiently protected; and (2) establish an opt-in authorization process whereby the customer would authorize the Program Administrators and their vendors to share its customer-specific data with Community First Partners, subject to a nondisclosure agreement (Statewide Plan, Exh. 1, at 283; Exhs. DPU-Comm 21-7; DPU-Comm 21-6). The Program Administrators state that they will continue to aggregate customer data according to Department standards for cases where there is no customer authorization or instances of data sharing that are not subject to an agreement between a Program Administrator and the Community First Partner (Statewide Plan, Exh. 1, at 283; Exh. DPU-Comm 21-6).

The Program Administrators explain that there may be some instances in which customer data cannot be shared because it is subject to additional protections (Statewide Plan, Exh. 1, at 283). In these instances, the Program Administrators will work with the Community First

[203] The Compact works directly with its Community First Partner for services through a lead vendor contract (Exhs. DPU-Comm 23-5; DPU-Comm 21-7). The Compact proposes to exempt this lead vendor from the opt-in authorization process. Instead, the Compact proposes to treat the lead in the same manner as other lead vendors that have sufficient contractual provisions in place to protect customer data (i.e., customer authorization and non-disclosure agreements) (Exh. DPU-Comm 21-7).

[204] Unitil (gas) and Unitil (electric) do not work with a Community First Partner at this time (Exhs. FGE-2 at 89-90; DPU-Comm 21-6; DPU-Comm 21-7).

[205] The Program Administrators state that this agreement will include a more detailed scope of work that clearly defines the roles and responsibilities of energy advocates, as well as provisions that establish best practices for data handling (Exh. DPU-Comm 21-7).

Partner to review its data requests and develop an alternative approach to address the Community First Partner's data needs without violating customer privacy protections (Statewide Plan, Exh. 1, at 283).

Finally, the Program Administrators propose to eventually offer Community First Partners an alternative data access option that does not require them to use the opt-in customer authorization process employed by other vendors. This option would permit the Community First Partner to receive customer data from the Program Administrators without individual signed customer authorizations provided the Community First Partner signs a vendor agreement containing a detailed scope of work, a non-disclosure agreement, and data use provisions (Statewide Plan, Exh. 1, at 283; Exh. DPU-Comm 21-7).

3. Positions of the Parties

a. Program Administrators

The Program Administrators maintain that the Three-Year Plans satisfy all reporting requirements included in the Green Communities Act, the Guidelines, and Department directives (Program Administrator Brief at 78, citing Statewide Plan, Exh. 1, at 272-296). The Program Administrators further maintain that all customer data will be appropriately aggregated pursuant to the Department's data aggregation standards. The Program Administrators argue, however, that the Department should approve their proposed refinements to these standards that are based on: (1) requests throughout the 2022-2024 Three-Year term from non-Community First Partner communities; (2) other stakeholders' experience applying the Department's existing data aggregation standards; and (3) a comprehensive review of data aggregation standards currently

used in other states (Program Administrator Brief at 78-80, citing Statewide Plan, Exh. 1, at 290-297).

The Program Administrators maintain that implementing non-disclosure and customer data agreements with new Community First Partners will facilitate greater data access while still protecting customer privacy (Program Administrator Brief at 78-79). The Program Administrators assert that these proposed enhancements are critical for empowering Community First Partners to drive increased program participation, particularly among underserved groups and communities, while remaining appropriately protective of customer privacy (Program Administrator Brief at 79).

b. Conservation Law Foundation

CLF recommends that the Department approve the Program Administrators' proposed changes to data tracking and reporting protocols (CLF Brief at 32). CLF argues that the Program Administrators' proposed enhancements align with: (1) the Clean Energy Act of 2022's requirement to include strategies to achieve equitable access to Mass Save programs; and (2) the Department's directives to gas distribution companies in D.P.U. 20-80-C to track customer heat pump installations (CLF Brief at 32-33, citing G.L. c. 25, § 21(b)(2)(xii); D.P.U. 20-80-C at 55).

CLF further argues that the Program Administrators should evaluate ways to make Mass Save program data more accessible to the Council and the public (CLF Brief at 31-34). CLF states that the Program Administrators' proposed changes (i.e., more granular data and an accessible summary table format) should make it easier for stakeholders to evaluate the performance of income-eligible programs, address implementation issues in a timely manner, and ensure progress toward equity goals (CLF Brief at 33). CLF, however, is skeptical of the

Program Administrators' proposal to implement an opt-in authorization process for customer data sharing (CLF Brief at 36). CLF argues that this opt-in process will have limited utility if most customers elect not to participate (CLF Brief at 36). Finally, CLF supports the Program Administrators' proposed enhancements to the Community First Partner program but also urges the Program Administrators to improve their proposed longer-term option that would allow Community First Partners to access customer-specific information under a vendor data sharing agreement, specifically by making it easier for Community First Partners to sign on (CLF Brief at 34-36).

4. Analysis and Findings

a. Introduction

Successful implementation of the Three-Year Plans will require the Program Administrators to share a large amount of data with various entities, including vendors and Community First Partners. To ensure data privacy, the Program Administrators currently share aggregated customer information pursuant to standards articulated by the Department in D.P.U. 14-141 (Statewide Plan, Exh. 1, at 272-273). Below, the Department discusses the protocols used by the Program Administrators to safeguard the privacy of shared customer data and addresses the Program Administrators' proposed changes to the current data aggregation standards (Statewide Plan, Exh. 1, at 290; Exh. DPU-Comm 8-7, at 1).

b. Shared Customer Data

The Program Administrators assert that their contracts with vendors, contractors, trade allies, distributors, and other Program Administrators include robust confidentiality and cybersecurity provisions designed to safeguard customer data (see, e.g., Exh. FGE-Gas-2,

at 159-164). In addition to these contractual requirements, each Program Administrator represents that it has its own set of cybersecurity controls that vary by Program Administrator (Exh. DPU-Comm 21-5). Each Program Administrator further maintains unique response protocols regarding security incidents that vary depending on the nature and severity of the issue (Exh. DPU-Comm 21-5). The Program Administrators assert that these Program Administrator-specific differences arise from the fact that they must apply cybersecurity policies to a broad range of activities across each entity (Tr. 1, at 212). Finally, the Program Administrators maintain that they intend to rely on the experience and expertise of their individual internal cybersecurity teams to strengthen and update their data security policies over the Three-Year Plan term (Tr. 1, at 213-216).

The Department appreciates the complexity and rapidly changing nature of issues surrounding cybersecurity and customer data protection. The Department also understands that different practices and policies may be appropriate for individual Program Administrators because cybersecurity and customer data issues affect a broad range of business activities and must be approached from an entity-wide perspective. To the extent, however, that the scope of the differences in the Program Administrators' current customer data sharing practices may present opportunities for cybersecurity incidents, the Department encourages the Program Administrators to examine their respective policies and practices regarding their oversight of vendors to ensure consistency in security protocols to the greatest extent practicable. Further, the Department encourages the Program Administrators to consider aligning their cybersecurity incident reporting and response protocols, as doing so could assist in information sharing and mutual aid between Program Administrators. We direct the gas and electric distribution

company Program Administrators to report on these efforts in their next annual cybersecurity meetings with the Department conducted pursuant to the Department's Amended Cybersecurity Framework Memorandum (revised January 7, 2025).

c. Data Privacy

The Program Administrators currently aggregate all reported customer data according to Department-approved standards (Statewide Plan, Exh. 1, at 272-273, citing D.P.U. 14-141). The Program Administrators propose to change certain of these standards to increase transparency in the residential and low-income sectors, particularly at the community level (Statewide Plan, Exh. 1, at 290). The Program Administrators indicate that these proposed changes align with data aggregation standards used in other jurisdictions.[206]

No party objected to the Program Administrators' proposed changes to data aggregation standards. After review, the Department finds that the proposed revised data aggregation standards are easy to understand and remain appropriately protective of data privacy (Statewide Plan, Exh. 1, at 290-297). Accordingly, the Department approves the Program Administrators' proposed changes to data aggregation standards as necessary to implement the Three-Year Plans. The Department encourages the Program Administrators to continue to evaluate ways to make Mass Save program data more accessible, as recommended by CLF (CLF Brief at 31-34).

d. Community First Partners

The Program Administrators propose to execute an updated non-disclosure and data use agreement with all new Community First Partners for the Three-Year Plan term and to

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206 These standards currently are used by the Connecticut State Department of Education (Statewide Plan, Exh. 1, at 292-293).

implement an opt-in customer authorization process (Statewide Plan, Exh. 1, at 283; Exh. DPU-Comm 21-7). The opt-in authorization process will allow Community First Partners to access customer-specific data on the status of the home energy assessments, weatherization jobs, and heat pump installations for customers who choose to share that information (Exh. DPU-Comm 21-8).

No party objected to the Program Administrators' proposed changes to Community First Partner data sharing. The Department finds that the proposed changes are reasonably designed to increase program transparency while remaining appropriately protective of customer data privacy. Accordingly, the Department approves the Program Administrators' proposed changes to Community First Partner data sharing.

Although CLF supports the proposed enhancements to the Community First Partnership program, it expressed concern that an opt-in authorization process for customer data sharing would have limited utility if most customers do not elect to participate (CLF Brief at 36). CLF recommends that the Program Administrators make it easier for Community First Partners to receive data from Program Administrators without requiring customer authorization (CLF Brief at 36). The Department acknowledges that there is great value in enabling Community First Partners to receive data from the Program Administrators in a streamlined manner; however, any sharing of data without prior customer authorization must be subject to stringent data protection protocols. In this regard, the Program Administrators intend to offer Community First Partners an alternative data access option that does not require them to use the opt-in customer authorization if the Community First Partner enters into a vendor agreement containing essential data sharing and other privacy protocols (Statewide Plan, Exh. 1, at 283;

Exh. DPU-Comm 21-7). In each Annual Report for the Three-Year Plan term, the Program Administrators shall describe the status of their efforts to facilitate data sharing with their Community First Partners.

D. Clean Heat Standard

1. Introduction

DEP currently is developing a Clean Heat Standard that will require fossil fuel energy suppliers to replace fossil fuels with clean heat sources.[207] Green Energy requests that the Department approve the electrification components of the Three-Year Plans on an interim one-year basis to allow the Program Administrators to integrate their program design and associated budgets with the final Clean Heat Standard (Exh. GECA-LC-1, at 4, 13; see also Green Energy Reply Brief at 1).

2. Positions of the Parties

a. Program Administrators

For several reasons, the Program Administrators argue that the Department should not adopt Green Energy's recommendation to limit approval of the Three-Year Plans to 2025 to allow for integration with the Clean Heat Standard and Building Decarbonization Clearinghouse[208] (Program Administrators Reply Brief at 24, citing Green Energy Brief at 2).

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[207] The Clean Heat Standard regulation would require heating suppliers to replace fossil heating fuels with clean heat over time by implementing clean heating measures like heat pumps or purchasing credits to account for greenhouse gas emissions. https://www.mass.gov/massachusetts-clean-heat-standard (last visited February 28, 2025).

[208] The Building Decarbonization Clearinghouse would create a centralized hub for various programs, technologies, and services related to energy efficiency, electrification,

First, the Program Administrators argue that a three-year term for energy efficiency plans is mandated by statute and the Department Guidelines (Program Administrators Reply Brief at 25, citing G.L. c. 25, §§ 19-21; Guidelines § 2(10)). In addition, the Program Administrators note that the EEA Secretary's GHG emissions reduction goals have been established for a three-year term (Program Administrators Reply Brief at 26, citing EEA Secretary Letter). Further, the Program Administrators argue that a three-year term is necessary to: (1) ensure the market certainty necessary to drive energy efficiency investments; (2) reduce administrative costs; and (3) facilitate more thoughtful approaches to planning informed by multiple years of data (Program Administrators Reply Brief at 26-27). The Program Administrators argue that the Building Decarbonization Clearinghouse will not be operational until 2028 (Program Administrators Reply Brief at 27-28). Further, the Program Administrators maintain that there is significant additional process necessary before the final Clean Heat Standard is operational (Program Administrators Reply Brief at 28-29, citing Exh. DPU-Common 6-9; Tr. 1, at 188-193). The Program Administrators assert that at the appropriate time when a Clean Heat Standard is ultimately adopted, they will be prepared to incorporate any new policies or funding sources into the Three-Year Plans (Program Administrators Reply Brief at 29-30).

b. Conservation Law Foundation

CLF argues that the Department should require the Program Administrators to evaluate how DEP's forthcoming Clean Heat Standard could impact the programs, goals, and funding structure for the Three-Year Plan term (CLF Brief at 47).

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renewable energy, and decarbonization. https://www.mass.gov/info-details/ma-building-decarbonization-clearinghouse (last visited February 28, 2025).

c. Green Energy Consumers Alliance

Green Energy maintains that in the near term, DEP intends to adopt Clean Heat Standard regulations that will spread the costs of decarbonization across oil providers, propane providers, and municipal utilities (Green Energy Brief at 2). In addition, Green Energy asserts that EEA's Building Decarbonization Clearinghouse will come online shortly (Green Energy Brief at 2). Green Energy argues these programs share many of the same clean heat objectives as the Three-Year Plans; however, the Program Administrators failed to account for this duplication in their proposed energy efficiency program design (Green Energy Brief at 2-6; Green Energy Reply Brief at 1).

Accordingly, Green Energy argues that the Department should approve the clean heat components of the Three-Year Plans only for 2025 to allow the Program Administrators to adjust their incentives and program designs to account for the Clean Heat Standard and Building Decarbonization Clearinghouse as soon as possible (Green Energy Brief at 2-4; Green Energy Reply Brief at 1). Contrary to the Program Administrators' assertions, Green Energy argues that it is not recommending approval of the entire Three-Year Plan for only one year. Further, Green Energy argues that nothing in the law precludes a staggered implementation of programs within a Three-Year Plan (Green Energy Reply Brief at 1).

d. Low-Income Weatherization and Fuel Assistance Network

LEAN objects to Green Energy's proposal to limit approval of the Three-Year Plans to one year, arguing that it is: (1) inconsistent with the statutory requirement that each gas and electric energy efficiency plan be in effect for three years; and (2) based on an "improbable hope" that DEP's Clean Heat Standard can be developed, implemented in a rulemaking

proceeding, and adopted in the field within one year (LEAN Brief at 10, citing G.L. c. 25, § 21(c)(3)).

3. Analysis and Findings

Green Energy, CLF, LEAN, and the Program Administrators all correctly recognize that, to the extent a future surcharge on the sale of delivered fuels is available as a funding source for electrification incentives to meet the Secretary's GHG emissions reduction goals, the Clean Heat Standard could have an impact on energy efficiency program design. These parties do not, however, agree on the appropriate response to accommodate the timing of this forthcoming regulation and related initiatives. Green Energy maintains that the Department should approve the electrification components of the Three-Year Plan on an interim basis for one year to allow the Program Administrators to adjust their program designs and incentives to account for the anticipated Clean Heat Standard and Building Decarbonization Clearinghouse (Green Energy Brief at 2-4; Green Energy Reply Brief at 1).[209] The Program Administrators and LEAN argue, for various reasons, that the Department should approve the proposed Three-Year Plans for a full three-year term (Program Administrators Reply Brief at 25-26, citing G.L. c. 25, §§ 19-21; Guidelines § 2(10); Statewide Plan, Exh. 1, App. V; LEAN Brief at 10-11).

The Department finds that an interim, one year approval of the electrification components of the Three-Year Plans is not warranted as it would create inefficiencies in program deployment and uncertainty for the Program Administrators and stakeholders. Further, DEP reports that the

[209] CLF maintains that the Program Administrators should evaluate how the Clean Heat Standard could impact the programs, goals, and funding structure for the Three-Year Plan term (CLF Brief at 47-48).

first compliance year for the Clean Heat Standard will be 2026,[210] while the timelines for related initiatives, such as the Building Decarbonization Clearinghouse and New England Heat Pump Accelerator, are less certain.

Achieving the Commonwealth's clean energy and climate targets will require the development of new initiatives and programs, such as a Clean Heat Standard and the Building Decarbonization Clearinghouse. The effective and efficient integration of these new programs with existing, successful programs like Mass Save likewise will carry great significance. Accordingly, we direct the Program Administrators to continue to evaluate any appropriate changes to program designs (including incentives) to account for nascent programs and potential new funding sources.[211] To this end, the Department expects that the Program Administrators will closely coordinate with DEP and the EEA to understand how programs like the Clean Heat Standard, the Building Decarbonization Clearinghouse, and the New England Heat Pump Accelerator may affect Mass Save programs, incentives, and funding sources.

E. ConnectedSolutions

1. Program Administrators Proposal

The ConnectedSolutions program is a suite of active demand reduction ("ADR") offerings in the residential and C&I sectors that aims to reduce system peak load by temporarily controlling customer owned behind-the-meter technologies in response to event signals from the

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210 https://www.mass.gov/info-details/clean-heat-standard-program-development, (last accessed February 26, 2025).

211 This analysis should be informed by ongoing or anticipated studies such as the heat pump customer price sensitivity study and the HEAT Loan study (Statewide Plan, Exh. 1, App. N, App. U. The Department directs further studies in Section III.D.3.a).

Program Administrators (Statewide Plan, Exh. 1, at 138). The Program Administrators offer incentives to residential and low-income customers to enroll eligible equipment in the ConnectedSolutions program, including Wi-Fi enabled thermostats connected to central air conditioners or heat pumps, as well as behind-the-meter energy storage (Statewide Plan, Exh. 1, at 139). The residential sector ConnectedSolutions program offerings are implemented through a Program Administrator's distributed energy resource management system ("DERMS") vendor, which integrates communicating devices (e.g., Wi-Fi thermostats) with significant equipment loads (e.g., HVAC equipment) or battery storage devices (Statewide Plan, Exh. 1, at 139, 141).

The Program Administrators seek to reduce system peak load from C&I customers through Targeted Dispatch and Daily Dispatch offerings, which offer customer incentives to reduce demand during peak periods (Statewide Plan, Exh. 1, at 231). The Targeted Dispatch offering pays incentives to C&I customers with interval metering capability for measured curtailment of load during events targeting ISO-NE system peaks, using a wide range of technologies and load reduction strategies (Statewide Plan, Exh. 1, at 231). The Targeted Dispatch offer is limited to eight three-hour events each summer season (Statewide Plan, Exh. 1, at 231-232). The Daily Dispatch offering pays customers an incentive for responding to an increased number of high peak events (up to 60 two-or-three-hour events per summer) and includes a wide range of technologies and strategies, such as thermal storage from large refrigeration systems, energy storage, and, in some cases, HVAC controls (Statewide Plan, Exh. 1, at 232-233).

To be eligible for the Daily Dispatch offering, the C&I customer must shed load at its facility and/or allow the Program Administrators to discharge the customer's behind-the-meter

battery energy storage system (Statewide Plan, Exh. 1, at 233). The Program Administrators propose to cap Daily Dispatch performance incentives for battery energy storage systems at 150 percent of site load, absent any charging of the system (Statewide Plan, Exh. 1, at 233).[212]

The Program Administrators also propose several strategic enhancements for the Residential and C&I ConnectedSolutions programs while planning for enrollment growth and increased availability for residential and C&I customers throughout the Three-Year Plan term (Statewide Plan, Exh. 1, at 142-146; 237-239). For the Residential Sector, the Program Administrators plan to expand eligible communicating devices, including window air conditioning units, heat pumps, and electric water heaters, to appeal to more customers, including low- and moderate-income customers (Statewide Plan, Exh. 1, at 143). In addition, the Program Administrators will offer income-eligible customers on a low-income rate a higher enrollment incentive than market-rate customers (Statewide Plan, Exh. 1, at 144). Certain Program Administrators also propose to collaborate with original equipment manufacturers ("OEMs") and their DERMS vendor(s) to incorporate offers from thermostat manufacturers into the ADR portfolio to increase load reductions (Statewide Plan, Exh. 1, at 143-144).

For the C&I sector, the Program Administrators propose to better integrate the ConnectedSolutions program with other C&I programs by incentivizing preprogrammed demand reduction control sequences to automate demand response sequences (Statewide Plan, Exh. 1,

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212 CPower requests that the Department direct the Program Administrators to modify the proposed incentive cap to the higher of two MW or 150 percent of the host customer's peak load. CPower maintains that this modified incentive is necessary to ensure that smaller C&I customers can participate in the ConnectedSolutions program (Exh. CP-DH-1, at 1-12).

at 237). The Program Administrators propose to integrate ADR and energy efficiency projects by: (1) engaging vendors for building management system upgrades and retro-commissioning projects; (2) writing demand reduction sequences of operations into specifications for new construction sites; and (3) continuing to explore gas and winter electric demand reduction and future AMI capabilities for ADR (Statewide Plan, Exh. 1, at 237-238). Lastly, the Program Administrators are exploring higher annual incentives for small and medium-sized business customers for the thermostat-based demand response offering (Statewide Plan, Exh. 1, at 238).

2. Positions of the Parties

a. Program Administrators

The Program Administrators maintain that the design of the proposed C&I ConnectedSolutions program was developed after consultation with the Council, including the Attorney General and DOER (Program Administrators Brief at 33-35). The Program Administrators argue that the design of the C&I ConnectedSolutions program and, in particular, the proposed incentive cap at 150 percent of site load: (1) appropriately ensure that the ConnectedSolutions program budget supports as many customers as possible; (2) are fully consistent with Department precedent; and (3) as part of the overall Three-Year Plans, represent an appropriate balance of customer benefit and the promotion of energy efficiency/decarbonization (Program Administrators Brief at 33-35 ; Program Administrators Reply Brief at 22).

The Program Administrators do not support CPower's proposal to modify the incentive cap in the ConnectedSolutions program (Program Administrators Brief at 107; Program Administrators Reply Brief at 21, citing CPower Brief at 6). The Program Administrators

explain that the ConnectedSolutions C&I Daily Dispatch offering is open to any C&I customer that can achieve a load reduction for up to 60 two- or three-hour events per summer (Program Administrators Brief at 107). The Program Administrators further maintain the customer must shed load and/or allow the Program Administrator to discharge the customer's battery energy storage system (i.e., a facility that serves onsite load) (Program Administrators Brief at 107). The Program Administrators argue that a two-MW standalone battery, as contemplated by CPower, would "circumvent the point" of the incentive cap (Program Administrators Brief at 107, citing Exh. CP-DH-1, at 12).

The Program Administrators argue that CPower's modified incentive cap proposal would strain program budgets to support customers that would use behind-the-meter batteries primarily for export, contrary to Department precedent addressing the appropriate use of ratepayer-provided energy efficiency funds (Program Administrators Brief at 107; Program Administrators Reply Brief at 21-22, citing Cape Light Compact, D.P.U. 22-137, at 28 n.30 (2023)). More specifically, the Program Administrators maintain that in D.P.U. 22-137, the Department "emphasize[d] the importance of designing energy efficiency measures that aim to primarily decrease onsite load rather than increasing export to the grid" (Program Administrators Brief at 107). The Program Administrators argue that, after consultation with the Council, they designed the proposed incentive cap of 150 percent of site load to "allow customers some flexibility in battery sizing" (Program Administrators Brief at 107, citing Statewide Plan, Exh. 1, at 233).

Finally, the Program Administrators argue that adoption of the modified cap as proposed by CPower would likely result in program cost overruns, potentially affecting other areas of the

C&I budget (Program Administrators Reply Brief at 21-22). For these reasons, the Program Administrators urge the Department to reject CPower's recommendation and instead approve the ConnectedSolutions program as proposed (Program Administrators Brief at 107; Program Administrators Reply Brief at 21-22).

b. CPower

CPower maintains that the design of the ConnectedSolutions program has deficiencies that result in inequitable customer access to battery energy storage incentives for small C&I customers (CPower Brief at 2). In particular, CPower objects to the Program Administrators' proposal to maintain an incentive cap for C&I battery energy storage systems that limits the incentive based on 150 percent of the host customer's peak load (CPower Brief at 4-5). Instead, CPower argues that the Department should direct the Program Administrators to modify the proposed incentive cap to the higher of two MW or 150 percent of the host customer's peak load. CPower argues that its proposed modification to the incentive cap is necessary to achieve the Commonwealth's clean energy and climate goals and, in particular, the goal of achieving 1000 MWh of battery energy storage by 2025 (CPower Brief at 2, 3, 8, 15-16, citing St. 2018, c. 227 § 20).

CPower argues that its proposed revised incentive cap will provide the necessary flexibility to size battery energy storage systems for participating customers during the upcoming Three-Year Plan term (CPower Brief at 6). More specifically, CPower maintains that battery energy storage projects that are larger than residential scale but smaller than one MW generally are not economically viable (CPower Brief at 8-9, 19). CPower further argues that small C&I customers limited to earning incentives based on 150 percent of peak load through the

ConnectedSolutions program cannot earn enough to support the battery energy storage investments (CPower Brief at 9-12). CPower asserts that its proposal to allow customers to earn an incentive based on two MW (where higher than peak load) is necessary to support investment in energy storage by small C&I customers (CPower Brief at 16-17).

Finally, CPower disputes the Program Administrators' argument that they are required to cap the ConnectedSolutions program incentives at a percentage of peak load to comply with Department directives limiting energy efficiency measures aimed at increasing export to the grid (CPower Brief at 12-15, citing Statewide Plan, Exh. 1, at 233). CPower argues that the directives at issue apply to the excess output of the solar PV component of the Compact's CVEO program and not to the battery energy storage component (CPower Brief at 14, citing D.P.U. 22-137, at 27-28 & n.143). Therefore, CPower argues that there is no regulatory barrier to adoption of its revised incentive for the ConnectedSolutions Program as proposed (CPower Brief at 15).

3. Analysis and Findings

The Program Administrators propose several strategic enhancements for the Residential and C&I ConnectedSolutions programs for the 2025-2027 Three-Year Plan term (Statewide Plan, Exh. 1, at 142-146; 237-239). The residential enhancements are focused on: (1) enrollment growth and customer availability; (2) the expansion of eligible communications devices to appeal to low- and moderate-income customers; (3) increased incentives for low-income customers; and (4) leveraging equipment manufacturer offerings for load reduction (Statewide Plan, Exh. 1, at 142-146). The C&I enhancements are focused on: (1) joint Program Administrator program delivery; (2) an expansion of the customer-directed offer; (3) the

introduction of a renter and landlord offer; and (4) prioritizing support for community-based organizations (Statewide Plan, Exh. 1, at 237-239).

In addition, the Program Administrators propose to maintain the current performance incentive cap of 150 percent of site peak load for C&I batteries, as implemented during the 2022-2024 Three-Year Plan term (Statewide Plan, Exh. 1, at 233). Conversely, CPower requests that the Program Administrators modify the incentive cap such that the incentive is earned on the greater of 150 percent of the host's customer load or two MW so as to incentivize small C&I customers to invest in behind-the-meter storage (Exh. CP-DH-1, at 12; CPower Brief at 17). The Program Administrators respond that CPower's requested modification is inconsistent with Department precedent and may lead to program cost overruns, negatively affecting other areas of the C&I budget (Program Administrators Reply Brief at 21-22, citing Order on Compact's Strategic Electrification and Energy Optimization Demonstration Project, D.P.U. 22-137, 28 n.30 (2023)).

No party objected to the proposed enhancements to the Residential and C&I ConnectedSolutions programs. After review, the Department finds that the Program Administrators' proposed strategic enhancements for the Residential and C&I ConnectedSolutions programs are reasonable (Statewide Plan, Exh. 1, at 142-146; 237-239).

In addition, the Department finds that the Program Administrators' proposed incentive cap in the C&I ConnectedSolutions program is appropriate. The Program Administrators arrived at the proposed incentive cap after extensive consultation with the Council, DOER, and the

Attorney General, a process in which CPower participated[213] (Statewide Plan, Exh. 1, at 233). The Department finds that the proposed incentive cap represents a reasonable balance of customer benefit and the promotion of decarbonization efforts, while appropriately ensuring that the ConnectedSolutions program budget will support as many customers as possible without undue risk of cost overruns.

CPower and the Program Administrators dispute the weight of Department precedent that addresses the importance of designing energy efficiency measures that aim to primarily decrease on-site load rather than increasing export to the grid. D.P.U. 22-137, at 28 n.30. The Program Administrators correctly observe that paying ConnectedSolutions incentives to oversized, on-site batteries would not provide compensation for decreasing on-site load, the traditional focus of energy efficiency programs. For its part, CPower notes that batteries that are oversized for a particular small C&I customer's load but that fall under CPower's proposed 2 MW cap would provide grid benefits *near* the customer site, specifically, behind the same substation (CPower Initial Brief at 18).

The Department disagrees that our precedent requires the imposition of an incentive cap for on-site batteries, and we note the overriding statutory directive in G.L. c. 25, § 21 calling for all available energy efficiency and demand reduction resources that are cost effective or less expensive than supply, including energy storage and other active demand management technologies, with no specific limitation regarding reduction of on-site load versus exporting to the grid. G.L. c. 25, § 21(a), G.L. c. 25, § 21(b)(2). However, we are also mindful of the

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213 See CPower Comments to Council (December 20, 2022) (available at CPower_Enel_Convergent-Comments-122022.pdf).

Program Administrators' discretion in designing and running effective programs and of DOER's prerogatives to design programs that may offer alternative compensation to energy storage developers, such as the Clean Peak Program.

We further acknowledge the importance of deploying significant battery storage resources to achieve the Commonwealth's clean energy and climate goals. We recognize that there are multiple proceedings before the department that may influence the extent and pace at which storage is developed (see, e.g,, D.P.U. 23-115 (National Grid), D.P.U. 23-117 (Unitil), and D.P.U. 23-126 (NSTAR Electric). Finally, we acknowledge the importance of coordinating incentives for battery deployments through ConnectedSolutions with other programs that promote battery deployments, and we note that DOER is tracking the Commonwealth's progress toward its goal of achieving 1,000 MWh of battery energy storage by 2025 established in St. 2018, c. 227 § 20.[214]

Although we will not disturb the Program Administrators' program design choice of setting a 150 percent cap at this time, we recommend that the EEAC consider if providing existing ConnectedSolutions incentives to a somewhat larger set of battery developers, as CPower argues, would be a cost-effective way to reduce demand for the C&I sector. We direct the Program Administrators to track and report to the Council as part of their quarterly reports the number of participating batteries installed by small C&I customers. We further direct the Program Administrators to address actual spending levels and benefits for C&I programs in their

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[214] DOER Energy Storage Initiative & Storage Target, https://www.mass.gov/info-details/esi-goals-storage-target. We find that raising the incentive cap is not likely to materially affect whether the Commonwealth will meet the 2025 storage target.

annual reports and to assess whether adjustments to the ConnectedSolutions program design would drive the achievement of planned C&I benefits.

F. Statewide Contact Center

1. Program Administrators Proposal

The Program Administrators propose to implement a new statewide contact center designed to provide a single point of entry to support residential and small business customers regarding energy efficiency and electrification offerings (Statewide Plan, Exh. 1, at 6, 15, 242). The Program Administrators propose that, starting April 1, 2025, customers across Massachusetts will be able to access the statewide contact center's resources via phone, chat, and email (Statewide Plan, Exh. 1, at 15, 242-243; Exh. DPU-Comm 10-3).

The Program Administrators propose to staff the statewide contact center with energy efficiency specialists who are knowledgeable about all Mass Save offerings (Statewide Plan, Exh. 1, at 15, 242-243). The Program Administrators state that the statewide contact center will assist customers with topics such as: (1) program guidance and eligibility information; (2) home energy assessments; (3) decarbonization consultations; (4) HEAT loans; (5) relevant tax credits or federal incentives; (6) Massachusetts Climate Bank's Energy Saver loans; and (7) the status of rebates (Statewide Plan, Exh. 1, at 242-243).[215]

The Program Administrators state that income-eligible programs will not be addressed by the statewide contact center (Exh. DPU-Comm 10-3). Instead, LEAN will continue to address

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[215] Where inquiries are outside of Mass Save program delivery (e.g., electric vehicles, renewable energy), the statewide contact center will provide basic information, resources, and referrals to customers on these topics (Statewide Plan, Exh. 1, at 243; Exh. DPU-Comm 10-3).

these issues statewide, and the statewide contact center will transfer low-income customers directly to LEAN's existing statewide client services center to ensure that their access to low-income offerings is maximized (Statewide Plan, Exh. 1, at 15, 242 n.148; Exhs. AG-Comm 1-4; DPU-Comm 10-3). In addition, inquiries about large C&I programs will be directed to the applicable Program Administrator (Exh. DPU-Comm 10-3).

The Program Administrators state that the statewide contact center will provide customers with needed language access services via phone, email, and chat (Statewide Plan, Exh. 1, at 243). In particular, the statewide contact center will offer bilingual staff, language interpretation services, and translated materials (Statewide Plan, Exh. 1, at 15, 242-243, 250).

The Program Administrators expect that implementation of the statewide contact center will lead to certain cost savings (Statewide Plan, Exh. 1, at 312; Exhs. AG-Comm 3-3; DPU-Comm 10-3). For example, the Program Administrators expect that the statewide contact center will reduce costs at the existing lead vendors' call centers by absorbing a portion of their inquiries (Exhs. AG-Comm 3-3; DPU-Comm 10-3).

The Compact proposes to opt out of participation in the statewide contact center (Statewide Plan, Exh 1, at 242 n.148). The Compact instead proposes to continue to provide energy efficiency and electrification information to customers through its existing contact center (Statewide Plan, Exh 1, at 242 n.148; Exh. CLC-2, at 173).[216] The Compact states that it will

[216] The Compact proposes to pay an allocated share of costs related to the statewide contact center's interactive voice response system, which will directly route appropriate calls to the Compact (Exhs. DPU-Comm 10-3; CLC-2, at 173, 177; Tr. 2, at 388).

coordinate with the other Program Administrators to ensure that its individual contact center provides substantially similar information as the statewide contact center (Tr. 2, at 387).

The Compact states that its individual contact center currently provides services beyond energy efficiency and electrification and, therefore, its cost of participating in the statewide contact center would be additive to the costs of its individual contact center (Exh. DPU-Compact 2-3; Tr. 2, at 389). In addition, the Compact states that maintaining its individual contact center will enable customers to continue to meet with it in-person (Tr. 2, at 385). Finally, the Compact states that its individual contact center currently provides language interpretation services via phone. The Compact offers only limited translation services via email (Tr. 2, at 383-384).

2. Positions of the Parties

a. Program Administrators

The Program Administrators argue that the establishment of a statewide contact center is an essential part of their strategy to improve the customer experience and increase program participation in pursuit of the Commonwealth's ambitious energy efficiency and decarbonization goals (Program Administrators Brief at 28). More specifically the Program Administrators argue that the establishment of a statewide contact center will streamline the customer experience and reduce customer confusion by centralizing information and providing resolution to customer inquiries in one call (Program Administrators Brief at 28, citing Statewide Plan, Exh. 1, at 14; Program Administrators Reply Brief at 16, citing Statewide Plan, Exh. 1, at 14).

These arguments notwithstanding, the Compact maintains that it is appropriate for it to maintain its own contact center rather than participate in the statewide contact center (Program

Administrators Brief at 113-114, citing Exh. CLC-2, at 175-177). The Compact argues that its existing contact center is an "established local presence" that provides its customers with comprehensive services (Program Administrators Brief at 113-114, citing Exh. CLC-2 at 177, Tr. 2 at 387-390). In addition, the Compact maintains that it will coordinate with the other Program Administrators to ensure that its contact center provides "substantially similar" information as the statewide contact center (Program Administrators Brief at 114, citing Tr. 2, at 387).

Finally, the Compact asserts that it is committed to providing language access support for its contact center users and, in this regard, it offers language translation services via phone (Program Administrators Brief at 114, citing Tr. 2, at 383-384). The Compact acknowledges that it currently offers only limited translation services via email but asserts it would consider expanding the language access capability of its contact center to match the email translation services that will be available through the statewide contact center (Program Administrators Brief at 114, citing Tr. 2, at 384). The Compact argues, however, that it should be authorized to determine its own language access capabilities based on the identified needs of its customer base (Program Administrators Brief at 114, citing Tr. 2, at 384).

b. Department of Energy Resources

DOER supports the implementation of the statewide contact center, maintaining that it will provide the comprehensive, multilingual information and support that customers need to participate in energy efficiency and decarbonization programs (DOER Brief at 31, citing Statewide Plan, Exh. 1, App. D at 4). Based on feedback received in stakeholder workshops, DOER argues that the statewide contact center is consistent with the Council's priority to

establish a single point of customer contact for energy efficiency and decarbonization information and services (DOER Brief at 31, citing Statewide Plan, Exh. 1, at 36, 148). Finally, DOER emphasizes the importance of the statewide contact center as a means of providing consistent information and services across the state, regardless of a customer's service area (DOER Brief at 31 citing Statewide Plan, Exh. 1, at 242-243).[217]

3. Analysis and Findings

A significant level of customer uptake of energy efficiency and decarbonization measures is essential to meet the ambitious GHG emissions reduction, savings, and equity goals identified in the Three-Year Plans (Statewide Plan, Exh. 1, at 302). To facilitate improvements to the customer experience intended to maximize participation, the Program Administrators propose to establish a statewide contact center that will serve as a single point of contact for all customers seeking information about energy efficiency and electrification programs (Statewide Plan, Exh. 1, at 6, 15, 242). This statewide contact center was designed using feedback received through the Council's stakeholder process and will largely replace the services provided by each individual Program Administrator's contact center for residential and small business customers (Statewide Plan, Exh. 1, at 6, 15, 242).[218]

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[217] DOER minimally addresses the Compact's proposal to opt out of the statewide contact center on brief (see generally, DOER Brief at 31). DOER notes in a parenthetical that "the [Compact] already maintains a call center that provides comprehensive support to its customers" (DOER Brief at 31 n.116, citing Exh. CLC-2, at 173).

[218] Low-income customers will continue to be served by LEAN's statewide client services center. Large C&I customers will be served by the applicable Program Administrator based on their location (Statewide Plan, Exh. 1, at 15, 242; Exhs. AG-Comm 1-4; DPU-Comm 10-3).

DOER fully supports the implementation of the statewide contact center and, in particular, emphasizes its importance in providing consistent information and services to all customers in Massachusetts, regardless of where they are located (DOER Brief at 31 citing Statewide Plan, Exh. 1, at 242-243). In addition, the statewide contact center will provide customers with essential language access services via phone, email, and chat (Statewide Plan, Exh. 1, at 15, 242-243, 250; Exh. AG-Comm 6-6).

For the reasons discussed above, the Department approves the Program Administrators' proposal to establish a statewide contact center. In all future Annual Reports and Term Reports, the Program Administrators shall describe the operation and cost of the statewide contact center, including an analysis of any savings achieved for the benefit of ratepayers. This analysis shall assess, among other topics, any cost savings derived from reduced call volumes to lead vendors and the Program Administrators' existing contact centers.

For these same reasons, we reject the Compact's proposal to opt out of participation in the statewide contact center. As we found above, the statewide contact center is an essential part of the Program Administrators' strategy to improve the customer experience and increase program participation to meet ambitious energy efficiency and decarbonization goals. Consistent with the Council's priorities, the statewide contact center will serve as single point of customer contact for energy efficiency, decarbonization information and services (DOER Brief at 31, citing Statewide Plan, Exh. 1, at 36, 148). As a means of maximizing program participation, the Department finds that it is appropriate for all customers, including customers in the Compact's service area, to have access to the comprehensive information and support for energy efficiency

and decarbonization measures through the single point of entry the statewide contact center will provide.[219]

In addition, the Department has long recognized the importance of consistency in the delivery of energy efficiency services so that all customers can benefit from the same experience statewide. 2019-2021 Three-Year Plans Order, at 146; 2016-2018 Three-Year Plans Order, at 118. In this regard, we find that it is not sufficient for the Compact's individual contact center to provide only "substantially similar" information as the statewide contact center (Program Administrators Brief at 114, citing Tr. 2, at 387).

Finally, the statewide contact center will provide comprehensive language access services designed to ensure that all Massachusetts residents can access essential program information and resources in an equitable manner. The Compact's individual call center does not currently match the full language access services the statewide contact center will provide (Statewide Plan, Exh. 1, at 15, 242-243, 250, Tr. 2 at 384).

The Department has weighed the additional costs the Compact maintains it will incur through its participation in the statewide contact center and finds that they are reasonable in light of the significant benefits that will accrue to customers from the Compact's participation in the

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[219] In the 2022-2024 Three-Year Plans Order, at 278, the Department found that mutual customers of National Grid (gas) and the Compact should receive the same information when choosing to pursue weatherization measures, no matter which Program Administrator provides the information. In that case, the Department directed National Grid (gas) and the Compact to develop common education materials regarding weatherization, including a script for use by the lead vendor. 2022-2024 Three-Year Plans Order, at 278.

statewide contact center (Exh. AG-Comm 3-3; Exh. DPU-Comm 10-3).[220] Accordingly, for the reasons discussed above, the Department denies the Compact's request to opt out of participation in the statewide contact center. Nonetheless, the Department will permit the Compact sufficient time to implement an orderly transition of its existing energy efficiency call center operations to the statewide contact center after it is fully operational. As part of its Annual Report for plan year 2025 (to be filed with the Department on June 1, 2026), the Compact shall describe all steps it has taken and will take to fully integrate its energy efficiency call center operations with the statewide call center prior to the start of the 2028-2030 Three-Year Plan term.

XIV. INTERIM CONTINUATION

Pursuant to the Green Communities Act, Program Administrators are required to file their three-year energy efficiency plans by October 31st of the year prior to the first year of the three-year plan. G.L. c. 25, § 21(d)(1). The Department must issue an Order on the three-year plans within 120 days of filing. G.L. c. 25, § 21(d)(2). The timing of the Program Administrators' filings and the Department's review results in the previously approved energy efficiency programs ending approximately 60 days prior to the Department's approval of the new three-year plans.

The Program Administrators request that in this Order, the Department authorize the continuation of all energy efficiency programs and budgets for plan year 2027 until the

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[220] The Compact states that its individual contact center provides services and administrative support beyond implementation of the Three-Year Plans and, therefore, its cost of participating in the statewide contact center will be in addition to the costs of its individual contact center (Exh. DPU-Compact 2-3; Tr. 2, at 389). The Department addresses the appropriate ratemaking treatment of costs related to the Compact's individual call center in Section XII.D, above.

Department concludes its investigation of the subsequent three-year plans (Program Administrators Brief at 108, citing Three-Year Plans Order, at 324). The Program Administrators argue that this request is consistent with past practice and promotes program continuity (Program Administrators Brief at 108). No other party addressed this issue on brief.

In recognition of the need for continuity of energy efficiency programs, the Department has allowed for interim continuation of existing energy efficiency programs, pending approval of proposed new programs under review. See 2022-2024 Three-Year Plans Order, at 324, citing 2019-2021Three-Year Plans Order; 2013-2015 Three-Year Plans, Order on Motions for Interim Continuation (2012). To ensure the continuity of energy efficiency programs, each Program Administrator shall continue all energy efficiency and RCS programs approved in this Order, until the Department concludes its investigation of the 2028-2030 Three-Year Plans, unless otherwise ordered by the Department. See 2022-2024 Three-Year Plans Order, at 324. The Program Administrators shall continue their existing energy efficiency and RCS programs at Department-approved expenditure levels for program-year 2027 during the Department's review of the 2028-2030 Three-Year Plans. All funds expended during the interim continuation of energy efficiency and RCS programs will be charged against the Program Administrators' 2028 budgets.

XV. ORDER

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

ORDERED: That the Three-Year Energy Efficiency Plans for 2025 through 2027 filed by The Berkshire Gas Company, Eversource Gas Company of Massachusetts, d/b/a Eversource Energy, Fitchburg Gas and Electric Light Company, d/b/a Unitil (Gas Division), Liberty Utilities

(New England Natural Gas Company) Corp., d/b/a Liberty, Boston Gas Company, d/b/a National Grid, NSTAR Gas Company, d/b/a Eversource Energy, the Towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Eastham, Edgartown, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, Wellfleet, West Tisbury, and Yarmouth, and Dukes County, acting together as the Cape Light Compact JPE, Fitchburg Gas and Electric Light Company, d/b/a Unitil (Electric Division), Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, and NSTAR Electric Company, d/b/a Eversource Energy are APPROVED subject to the modifications, disallowances, and conditions contained herein; and it is

FURTHER ORDERED: That The Berkshire Gas Company, Eversource Gas Company of Massachusetts, d/b/a Eversource Energy, Fitchburg Gas and Electric Light Company, d/b/a Unitil (Gas Division), Liberty Utilities (New England Natural Gas Company) Corp., d/b/a Liberty, Boston Gas Company, d/b/a National Grid, NSTAR Gas Company, d/b/a Eversource Energy, the Towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Eastham, Edgartown, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, Wellfleet, West Tisbury, and Yarmouth, and Dukes County, acting together as the Cape Light Compact JPE, Fitchburg Gas and Electric Light Company, d/b/a Unitil (Electric Division), Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, and NSTAR Electric Company, d/b/a Eversource Energy shall comply with all other directives contained in this Order.

By Order of the Department,

Jamie M. Van Nostrand, Chair

Cecile M. Fraser, Commissioner

Staci Rubin, Commissioner

An appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of the twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. G.L. c. 25, § 5.