

Memorandum

To: Massachusetts Executive Office of Energy and Environmental Affairs (EEA)

From: Jim Kennerly, Sustainable Energy Advantage, LLC (SEA) and Patrick Knight, Caroline Resor, and Angela Zeng, Synapse Energy Economics, Inc. (Synapse)

Date: Revised August 19, 2025

Re: Analysis of Ratepayer Cost Savings of Key Energy Affordability, Independence, and Innovation Act (EAII) Provisions

Summary of Findings

[**H. 4144 - An Act Relative to Energy Affordability, Independence and Innovation**](#) is estimated to save Massachusetts electric and gas customers at least **\$11.58 - \$14.35 billion** on a nominal, un-discounted basis from 2026-2035.

Overview of EEA Request

On May 13, 2025, Governor Maura Healey submitted [**H. 4144 - An Act Relative to Energy Affordability, Independence and Innovation**](#) (“EAII” or “the Act”) to the General Court for its consideration. Our firms (SEA and Synapse, or “the team”) have been retained by the Massachusetts Executive Office of Energy and Environmental Affairs (EEA) to analyze EAII provisions that, if enacted, would provide savings for electric and gas customers in Massachusetts. This analysis includes:

- Total savings for electric and gas customers in Massachusetts associated with identified provisions for calendar years 2026 through 2035.
- Provisions for which their total customer savings:
 - Are substantial in the context of the legislation (e.g., those with associated savings greater than \$1 billion in nominal, un-discounted dollars); and
 - Mostly accrue after calendar year 2035 and through calendar year 2050.

In this memorandum, the team summarizes 1) the scope and methodology of the analysis, 2) estimates of ratepayer savings associated with key provisions from calendar years 2026-2035, 3) ratepayer savings estimates associated with policies for which customers would realize most (if not all) of the associated savings outside the 2026-2035 analysis window, and 4) anticipated next steps. All savings are provided in nominal, non-discounted terms. For certain provisions, we provide a range of savings based on varying input assumptions such as differential uptake and/or use of a given policy or program, expected future energy supply, transmission and distribution costs, environmental or other attribute costs, variances in load forecasts, and financing assumptions.

Scope of EAII Provisions Analyzed and Methodology

The team assessed the legislative provisions that, if enacted, would offer the most substantial degree of direct savings to electric and gas customers in Massachusetts. The provisions deemed to fall into this category are listed below (and described in terms of their impact relative to the team’s assumed baseline) in alphabetical order:

- **Alternative Portfolio Standard (APS) Phase-Out:** This provision would end Alternative Portfolio Standard (APS) compliance at the end of calendar year 2027, thereby removing compliance obligations for electric load-serving entities (LSEs) after that time.
- **Amend the Solar Massachusetts Renewable Target (SMART) Program:** This provision would require all solar net metering projects reaching commercial operation on or after January 1, 2026 to participate in the SMART program, thus allowing their Class I renewable energy credits (RECs) to be monetized by customers via reductions in SMART tariff payments relative to a case in which the EAI was not enacted.
- **Asset Condition Project Permitting Requirements:** This provision would require “asset condition” transmission projects to be reviewed by the Energy Facilities Siting Board (EFSB), which would consider not only their environmental, health and safety impacts, but also their cost to Massachusetts customers.
- **Bilateral Renewable Natural Gas Contracts:** This provision would allow for renewable natural gas (RNG) produced by a landfill or anaerobic digester to be injected into the distribution system of a gas local distribution company (LDC) and delivered to commercial and industrial (C&I) customers via bilateral contracts – thereby reducing wholesale gas market purchases, the cost of which is recovered by LDCs from their customers.
- **Cost Allocation for Centralized Heat Pumps:** This provision would permit building owners to charge tenants for their use of heat, air conditioning and/or hot water from centralized air- or ground-source heat pumps.
- **Electric Distribution Company (EDC) Comprehensive Planning:** This provision would require the electric distribution companies (EDCs) to conduct comprehensive distribution planning intended to comprise both distribution system capital investments, investments in load management, and other investments that could permit the deferral or outright avoidance of such investments.
- **Electric/Gas Rate Reduction Bonds (Securitization):** This provision of the bill would authorize the Massachusetts EDCs and LDCs to issue bonds with a lower cost of capital relative to typical utility carrying charges to cover the cost of grid modernization, storm recovery, gas transition costs, and the Mass Save program.
- **Expansion of DOER Clean Energy Procurement Authority:** This provision would remove the EDCs from the role of conducting the solicitations for transmission, energy storage, demand response and clean energy generation attributes and replace them with a new procurement division of the Department of Energy Resources (DOER). The bill would also remove the requirement for the EDCs to serve as the counterparty for market participants, thereby removing the need for remuneration fees, among other categories of savings (e.g., increased procurement frequency leading to more competition, and increased hedge value for EDC customers).
- **Flexible Interconnection:** This provision would require the EDCs to offer what are known as “flexible interconnection” solutions to various loads and generation sources, thereby allowing projects to bypass a more time-consuming review by the affected distribution company prior to interconnection.¹ The core savings for EDC customers associated with such programs involves the deferral and/or avoidance of certain EDC distribution system capital investments, as well as reduced performance-based incentives for participating projects.
- **Inclusive Utility Investment Programs:** This provision would require the EDCs to establish programs for on-bill financing programs of various clean energy measures, thereby reducing financing costs ultimately recovered from Massachusetts EDC customers (via the reduced risk of non-collection of debt due to the use of EDC billing system for such collections).
- **Introduction of Supply Rate Net Metering Credits:** This provision would establish Supply Rate Net Metering Credits (comprised of the Basic Service rate, less the cost of basic service administrative costs and compliance of the Commonwealth’s clean energy portfolio standards to electric customers) to replace all other net metering credits. This would apply to stand-alone, front-of-meter distributed generation projects in operation on or after January 1, 2026.
- **LDC Ownership of Customer Geothermal Loops:** This provision would permit LDCs to own on-site geothermal loops on behalf of customers, thereby allowing said customers and customers writ large to forego upfront capital investment in their own facilities and realize net savings relative to the use of fossil fuel heating technologies more rapidly.

¹ In flexible interconnection programs, it is typical for loads or generation (e.g., direct current fast charging (DCFC) equipment for electric vehicles or solar PV and/or battery energy storage (BESS) projects, respectively) to reach commercial operation more quickly and without the need for costly distribution system upgrades. In exchange for expedited interconnection, said loads or generation sources are required to be interruptible based on grid needs at the time.

- **Non-Utility Transmission & Distribution Investment Finance:** This provision would allow non-EDC third parties to finance transmission and distribution system investments and would require them to return a portion of after-tax net income to Massachusetts electric customers and/or specific local communities.
- **Reforming Existing Rates and Charges:** This provision would direct the Department of Public Utilities to review various “reconciling” distribution charges (including charges such as those for electric vehicle (EV) programs, Mass Save, the statutory (non-RPS) renewable energy charge, distributed solar, and net metering recovery surcharges) and determine potential approaches that could reduce costs and bill volatility for customers.
- **Remove Limitations on Basic Service Terms:** This provision would provide the EDCs flexibility in the timing and duration of electricity supply procurements and the timing of associated rate adjustments such that they could be able to offer rates like those offered community choice aggregations (CCAs).

To analyze the savings associated with these provisions, the team used publicly available sources and data, information provided by EEA officials, and various proprietary databases and models to calculate the nominal, un-discounted savings relative to a scenario in which EAII is not enacted. Given that several of the provisions pertain to programs that are closely interrelated, the team took particular care to avoid counting the same savings in more than one legislative provision.²

2026-2035 Savings Estimates for Key EAII Provisions

The team’s preliminary findings indicate that the EAII as filed would produce savings to electric and gas customers in Massachusetts of **\$11.58 - \$14.35 billion** over the 2026-2035 analysis window in nominal, un-discounted dollars. The five most significant categories of such savings are, in order of highest to lowest estimated savings, permitting the issuance of electric and gas rate reduction bonds, EDC comprehensive planning requirements, new permitting requirements for asset condition projects, phasing out the APS in 2028 and after, and removing limits on basic service solicitations. The team provides additional detail as shown in Table 1 below.

Table 1: 2026-2035 Savings Associated with Key EAII Provisions

EAII Provision	2026-2035 Savings (Nominal, Billions \$)
Electric/Gas Rate Reduction Bonds (Securitization)	\$6.48 - \$8.10
Electric Distribution Company (EDC) Comprehensive Planning and Load Management	\$1.79
Alternative Portfolio Standard (APS) Phaseout	\$0.20 - \$1.09
Remove Limitations on Basic Service Terms	\$0.78
Reform Existing Rates and Charges	\$0.75
Inclusive Utility Investment Programs	\$0.54
Expanded Clean Energy Procurement Authority	\$0.16 - \$0.42
Bilateral Renewable Natural Gas (RNG) Contracts	\$0.23
Non-EDC T&D Investment Financing	\$0.20
LDC Ownership of Customer Geothermal Heat Loops	\$0.13
Asset Condition Project Permitting Requirements	\$0.09
Introduction of Supply Rate Net Metering Credits	\$0.07
Amend The SMART Program	\$0.03
Cost of Heat Allocation for Centralized Heat Pumps	~\$0.00
Grand Total	\$11.58 - \$14.35 billion

² In addition, at EEA’s direction, the team also included provisions that confer bill savings, as well as overall reductions in capital, operating and/or financing costs recovered from electric and gas customers in Massachusetts. The provisions that fall into this category include “Reforming Existing Rates and Charges” and “Introduction of Supply Rate Net Metering Credits.”

Notable Legislative Provisions with Substantial Savings After 2035

Though the team focused on 2026 through 2035 as the main window for the analysis, we note that there are other provisions for which there is a large potential for savings after the year 2035. These provisions include:

- **APS Phase-Out:** Though the team found that these provisions would offer savings of between **\$0.20-\$1.09 billion** during the primary 2026-2035 analysis window, the team further found that these savings would grow to between **\$1.08-\$5.37 billion** in the 2036-2050 window.
- **Expanded Clean Energy Procurement Authority:** As noted above, under this provision, DOER is granted expanded procurement authority, which would lead to multiple forms of ratepayer savings associated with said procurements. Though the team found that these provisions would offer savings of between **\$0.15-\$0.41 billion** during the primary 2026-2035 analysis window, the team further found that these savings would grow to between **\$2.41-\$5.03 billion** in the 2036-2050 window, in significant part due to the higher degree of clean resources expected to reach commercial operation under the Commonwealth's anticipated procurements pursuant to Global Warming Solutions Act (GWSA) targets in that window.
- **Flexible Interconnection:** While the team estimated that there would not be meaningful savings over the 2026-2035 period due to the advancement by one year of all assumed commercial operation dates, the team found that such programs are likely to provide substantial savings post-2035. If only applied to the SMART program (as an example), this provision would allow EDC customers to save between **\$1.27-\$5.06 billion** from 2036 through 2050, depending on levels of eligible project participation.
- **EDC Comprehensive Planning:** Under this provision, the EDCs would be required to engage in comprehensive planning, thereby deferring or outright avoiding certain transmission and/or distribution system investments. Though the level of "status quo" investments post-2035 are uncertain (and thus formulating a baseline would require further study), we believe that coordinated planning would continue to yield substantial savings in the 2036-2050 window.