

SUMMARY

The Department of Public Utilities (“Department”) issues this Order addressing the petitions filed by Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil” or “Company”) on August 17, 2023, seeking increases in electric and gas base distribution rates. The Department docketed the petitions as D.P.U. 23-80 (electric division) and D.P.U. 23-81 (gas division). The Attorney General of the Commonwealth of Massachusetts and the Department of Energy Resources were parties to the proceedings.

Pursuant to G.L. c. 164, § 94, the Department conducted an intensive ten-month investigation of the Company’s petitions, which included reviewing and evaluating Unitil’s annual revenues and expenses; current and proposed cost-recovery mechanisms; residential and commercial and industrial rate design; and capital structure and return on equity. To facilitate our investigation, the Department required the parties to submit written testimony; gathered evidence through written discovery; held three public hearings to receive public comments; conducted twelve days of evidentiary hearings to cross-examine witnesses and collect additional information; and weighed the parties’ arguments submitted through legal briefs. As noted in our decision below, the evidentiary record in these proceedings includes over 4,000 exhibits.

The Department recognizes the economic impact that higher electric and gas base distribution rates have on individual customers, businesses, and the surrounding communities. The Department appreciates hearing from numerous residents, municipal officials, and business owners who shared personal experiences struggling with the high energy costs and their opinions regarding the Company’s petitions. These comments and opinions helped the Department gather evidence and inform our decision.

As part of today’s decision to allow electric and gas rate increases, the Department reduces the Company’s initially requested revenue deficiency by approximately 43 percent for the electric division and by approximately 16 percent for the gas division. This reduction includes lowering the Company’s requested return on equity from 10.50 percent for the electric division and 10.75 percent for the gas division to a combined 9.40 percent.

The Department also increases the discount on bills for qualifying electric low-income customers from 34.5 percent to 40 percent. Gas low-income customers will continue to receive a 25-percent discount on their bills. Resources are available for any customer who has difficulty paying their utility bill. Please visit: <https://www.mass.gov/info-details/help-paying-your-utility-bill>

The Department recognizes the importance of establishing a regulatory paradigm that enables utilities to navigate the Commonwealth’s transition to clean energy in a cost-effective manner that provides significant benefits to customers. In today’s Order, the Department approves a five-year performance-based ratemaking (“PBR”) plan for each of the Company’s operating divisions. The plans are intended to incentivize the Company to identify and implement operating efficiencies to minimize future cost increases to customers. As part of the plans, the

Company agrees not to file petitions that seek to increase base distribution rates during the five-year term.

The Department also approves a set of performance scorecard metrics that will measure the range of benefits under a PBR plan in the following categories, which are tied to the goals of the PBR and consistent with the Department's regulatory objectives: (1) improvements to customer service and engagement; (2) reductions in system peak; and (3) strategic planning for climate adaptation.

The Department supports customer conversion to electrified and decarbonized heating technologies, including heat pumps that transfer thermal energy from outside for use in interior structural heating. As such, the Department approves a residential heat-pump rate available to all customers in rate classes RD-1 and RD-2 who install and use heat pumps in all or part of their homes. The Company's proposed heat-pump rate offerings reduce the variable kilowatt-hour rate associated with electric use during the winter when heat pumps would result in increased electricity use to replace traditional gas heating equipment. The Company's heat-pump rate is a reasonable, cost-efficient solution to mitigate the potential high bills associated with heat-pump implementation faced by residential and low-income customers within the context of current rate structure. The Department directs the Company to engage in meaningful outreach and education efforts to raise awareness of the heat-pump rate option.

The Department seeks to dissuade gas customer expansion and to align rate structure with the Commonwealth's climate objectives. To achieve this objective, the Department instructed the Company to revise its per-customer revenue decoupling mechanism to a decoupling approach based on total revenues to discourage the addition of new gas customers.

Under even normal operations, it is essential that utilities maintain a safe and reliable distribution system. As the Commonwealth moves toward electrification, there is heightened scrutiny on the ability of the distribution system to deliver for customers. To that end, the Department has reviewed and modified, as necessary, the Company's vegetation management and storm resiliency programs, which are designed to reduce outages during storms by minimizing the potential for tree and vegetation contact with overhead utility lines and reduce tree exposure along select circuits.

The Department's decision seeks to enable the Commonwealth to move into its clean energy future while simultaneously safeguarding ratepayer interests and maintaining affordability for customers; ensuring safe, reliable, and cost-effective electric and natural gas service; and minimizing the burden on low- and moderate-income households as the transition proceeds.