The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 24-10-A June 13, 2025

Petition of NSTAR Electric Company d/b/a Eversource Energy for approval by the Department of Public Utilities of its Electric Sector Modernization Plan filed pursuant to G.L. c. 164, § 92B.

D.P.U. 24-11-A

Petition of Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, for approval by the Department of Public Utilities of its Electric Sector Modernization Plan filed pursuant to G.L. c. 164, § 92B.

D.P.U. 24-12-A

Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil for approval by the Department of Public Utilities of its Electric Sector Modernization Plan filed pursuant to G.L. c. 164, § 92B.

APPEARANCES: Cheryl M. Kimball, Esq.
John K. Habib, Esq.
Ashley S. Marton, Esq.
Keegan Werlin LLP
1 Cranberry Hill, Suite 304
Lexington, Massachusetts 02421
FOR: NSTAR ELECTRIC COMPANY
Petitioner, D.P.U. 24-10
Limited Participant, D.P.U. 24-11, D.P.U. 24-12

Nancy D. Israel, Esq.
National Grid
170 Data Drive
Waltham, Massachusetts 02451

-and-

John K. Habib, Esq.
Jonathan A. Goldberg, Esq.
Michael B. Hershberg, Esq.
Tiffany N. Tisler, Esq.
Keegan Werlin LLP
1 Cranberry Hill, Suite 304
Lexington, Massachusetts 02421
FOR: MASSACHUSETTS ELECTRIC COMPANY AND NANTUCKET ELECTRIC COMPANY
Petitioners, D.P.U. 24-11
Limited Participants, D.P.U. 24-10, D.P.U. 24-12

Patrick Taylor, Esq.
M. Alice Davey, Esq.
Unitil Service Corp.
6 Liberty Lane West
Hampton, New Hampshire 03842
FOR: FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
Petitioner, D.P.U. 24-12
Limited Participant, D.P.U. 24-10, D.P.U. 24-11

Andrea Joy Campbell, Attorney General
Commonwealth of Massachusetts
By: Kelly Caiazzo
Donald W. Boecke
Christopher Modlish
William C. Rose
Assistant Attorneys General
Office of Ratepayer Advocacy
One Ashburton Place
Boston, Massachusetts 02108
Intervenor, D.P.U. 24-10, D.P.U. 24-11, D.P.U. 24-12

Department of Energy Resources
Commonwealth of Massachusetts
By: Colin P. Carroll, Esq.
Christopher G. McDonough, Esq.
100 Cambridge Street, Suite 1020
Boston, Massachusetts 02114
Intervenor, D.P.U. 24-10, D.P.U. 24-11, D.P.U. 24-12

Kyle T. Murray, Esq.
Acadia Center
15 Court Square, Suite 1000
Boston, Massachusetts 02108
FOR: ACADIA CENTER
Intervenor, D.P.U. 24-10, D.P.U. 24-11, D.P.U. 24-12

Audrey Eidelman Kiernan, Esq.
Rebecca F. Zachas, Esq.
KO Law, P.C.
1337 Massachusetts Avenue, Box 301
Arlington, Massachusetts 02476
FOR: CAPE LIGHT COMPACT JPE
Intervenor, D.P.U. 24-10

Priya Gandbhir, Esq.
Conservation Law Foundation
62 Summer Street
Boston, Massachusetts 02110
FOR: CONSERVATION LAW FOUNDATION
Intervenor, D.P.U. 24-10, D.P.U. 24-11, D.P.U. 24-12

Walter A. Foskett, Esq.
Robert D. Shapiro, Esq.
Duncan & Allen
25 Braintree Hill Office Park, Suite 200
Braintree, Massachusetts 02184
FOR: DIRECT ENERGY BUSINESS, LLC, DIRECT ENERGY SERVICES, LLC, ENERGY PLUS HOLDINGS, LLC, GREEN MOUNTAIN ENERGY COMPANY, INC., NRG HOME, AND XOOM ENERGY MASSACHUSETTS, LLC
Intervenor, D.P.U. 24-10, D.P.U. 24-11

Bernice I. Corman, Esq.
Bicky Corman Law, PLLC
1250 Connecticut Ave., NW, Suite 700
Washington, District of Columbia 20036
FOR: EVGO SERVICES LLC
Limited Intervenor, D.P.U. 24-10, D.P.U. 24-11
FOR: TESLA, INC.
Limited Intervenor, D.P.U. 24-10, D.P.U. 24-11

Adria Pratt, Esq.
Law Office of Adria Pratt, LLC
85 Eastern Avenue, Suite 302
Gloucester, Massachusetts 01930
FOR: GLOUCESTER ECONOMIC DEVELOPMENT AND INDUSTRIAL CORP.
Limited Participant, D.P.U. 24-11

Elisa J. Grammer, Esq.
47 Coffin Street
West Newbury, Massachusetts 01985
FOR: GREEN ENERGY CONSUMERS ALLIANCE
Intervenor, D.P.U. 24-10, D.P.U. 24-11

John A. DeTore, Esq.
David C. Fixler, Esq.
Greenberg Traurig, LLP
One International Place, Suite 2000
Boston, Massachusetts 02110
FOR: NORTHEAST CLEAN ENERGY COUNCIL, INC., COALITION FOR COMMUNITY SOLAR ACCESS, INC., ADVANCED ENERGY UNITED, INC., AND SOLAR ENERGY INDUSTRIES ASSOCIATION, INC.

-and-

Jeremy McDiarmid
Managing Director and General Counsel
Advanced Energy United, Inc.
1801 Pennsylvania Ave. NW, Suite 410
Washington, District of Columbia 20006
FOR: ADVANCED ENERGY UNITED, INC.
Intervenors, D.P.U. 24-10, D.P.U. 24-11, D.P.U. 24-12

Jay Myers, Esq.
Locke Lord LLP
111 Huntington Ave.
Boston, Massachusetts 02199
FOR: POWEROPTIONS, INC.
Limited Participant, D.P.U. 24-10, D.P.U. 24-11

Robert Ruddock, Esq.
Ruddock Law Office
436 Pleasant Street
Belmont, Massachusetts 02478
FOR: THE ENERGY CONSORTIUM
Limited Participant, D.P.U. 24-10, D.P.U. 24-11

R. Benjamin Borowski, Esq.
Todd J. Griset, Esq.
Kijana E. Plenderleith, Esq.
Preti Flaherty, Beliveau & Pachios, LLP
One City Center
Portland, Maine 04101
FOR: WILLIAMS COLLEGE
Intervenor, D.P.U. 24-11

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EXECUTIVE SUMMARY

In this Order, the Department of Public Utilities sets the parameters for grid modernization, clean energy, and resiliency investments during the first iteration of Eversource's, National Grid's, and Unitil's Electric Sector Modernization Plans ("ESMPs"), which will be in effect from July 1, 2025 through June 30, 2030. Building on last year's order approving the electric utilities' ESMPs as strategic plans, the Department takes a cautious, measured approach to enabling critical grid upgrades while safeguarding affordability for ratepayers. The Order affords Eversource, National Grid, and Unitil sufficient certainty for grid modernization and resiliency investments deployed in the first ESMP term by approving an interim, annually reconciling cost recovery mechanism. Meanwhile, the Department is mindful of the scale and costs of investments that will be required for other statutorily mandated directives to expand energy storage and transportation electrification infrastructure during the first ESMP term. The Department reiterates that in the long term, cost recovery for grid modernization and resiliency will be accomplished through base distribution rates as part of the utilities' standard business practices. In reaching this decision, the Department has been guided by the twin aims of enabling the Commonwealth's clean energy future while ensuring that ratepayers can afford their electric bills.

Specifically, the Department deems eligible for recovery costs the utilities will incur for: (1) projects to install and manage additional technology hardware such as early fault detection and expanded conservation voltage reduction investments to improve network operations and management; (2) programs and demonstration projects to advance virtual power plants, use of distributed energy resources for grid services, and investments in new clean energy customer portals and enabling technologies; (3) platform investments in the utilities' distribution systems geared towards leveraging data, digitalization, and other platforms to optimize infrastructure and meet evolving customer needs; (4) targeted resiliency investments involving undergrounding, reconductoring, and other storm hardening infrastructure upgrades; (5) implementing and coordinating integrated energy planning with Massachusetts gas utilities; (6) implementation of a Community Engagement Stakeholder Advisory Group to inform the utilities' community engagement efforts for major infrastructure projects; (7) three National Grid electric vehicle highway charging substation projects, subject to certain limitations; and (8) related administrative costs.

On the other hand, the Department deems ineligible for recovery through the interim ESMP mechanism more than half of the investments the utilities initially proposed. These investments include substation and distribution feeder projects as proposed by National Grid and Unitil, except for the three electric vehicle highway charging substation projects noted above. The Department also deems ineligible for recovery through the mechanism the following projects, among others, identified by National Grid: (1) private fiber expansion and analog replacement projects; (2) a time-varying rate billing engine; and (3) accelerated electrification of the company's medium- and heavy-duty fleet vehicles and related projects. We exclude these investments from recovery through the interim cost recovery mechanism largely because of our determination that legacy distribution system planning practices are outdated. With respect to

Eversource, the Department reduces Eversource's spending cap due to the Department's findings regarding the utility's proposed targeted resiliency investments.

Grid modernization and resiliency planning must ultimately become a part of each company's standard business practices. Each company must adapt to ensure that it continues to meet its longstanding public service obligations. As the utilities modernize both their practices and the electric grid, we anticipate that many of the projects we do not approve today will be pursued using other cost recovery tools, especially base distribution rates.

This Order establishes an ESMP term spending cap specific to each company that will facilitate cost containment. The following table summarizes the approximate term spending cap associated with investments this Order allows. Final spending cap amounts will be submitted in compliance filings due on Monday, June 30, 2025, for Department approval.

Electric Company	**Proposed Company Spending**	**Approved Company Spending**	**Denied Company Spending**
Eversource	$336 Million	$144 Million	$192 Million
National Grid	2,153 Million	698 Million	1,455 Million
Unitil	51 Million	21 Million	30 Million

In sum, although we deem many of the utilities' proposals ineligible for recovery through the interim ESMP mechanism, we nonetheless approve significant investments to modernize the electric distribution system. The interim cost recovery mechanism we establish today seeks to ensure the risks arising from the uncertainty associated with the longer-term needs of the system are shared by ratepayers and shareholders. Through this Order, the Department endeavors to maintain a delicate balance between continued progress toward grid modernization efforts and achievement of the Commonwealth's clean energy and decarbonization goals with affordability for ratepayers.

I. INTRODUCTION

On August 29, 2024, the Department of Public Utilities ("Department") approved, with modification, the electric sector modernization plans ("ESMPs") filed pursuant to G.L. c. 164, § 92B, by NSTAR Electric Company d/b/a Eversource Energy ("NSTAR Electric"), Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid ("National Grid"), and Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil") (collectively, "Companies," individually, "company"). Electric Sector Modernization Plans, D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12 (August 29, 2024) ("ESMP Order").[1] In this Order, the Department prescribes an annually reconciling, targeted, interim cost recovery mechanism for the recovery of costs associated with eligible ESMP investments made by the Companies ("interim ESMP mechanism" or "mechanism"). Further, the Department directs each of the Companies to submit for the Department's consideration an interim ESMP mechanism compliance tariff consistent with the directives contained herein. This mechanism will be effective for eligible investments for the first ESMP term, including incremental operations and maintenance ("O&M") expenses and capital investments placed in service during the term, with a shorter recovery period for specific, newly established processes involving integrated energy planning ("IEP") and the Community Engagement Stakeholder Advisory Group ("CESAG"), until each company's next base distribution rate proceeding, i.e., by which time those two processes should be incorporated into each company's normal business practices. The

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1 For administrative efficiency, the Department adjudicated the three dockets simultaneously and issued a single Order. These cases were not consolidated, however, and continue to remain separate proceedings.

Department will prescribe a longer-term cost recovery framework for ESMP investments in a future proceeding(s) after receiving initial comments and input later this year. ESMP Order at 444; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Phase II Procedural Notice at 8 (November 21, 2024) ("Phase II Procedural Notice").

II. PROCEDURAL HISTORY

In the ESMP Order at 444-447, the Department stated that it would establish in a subsequent phase of these proceedings ("Phase II") a new, annually reconciling, targeted, interim cost recovery mechanism for eligible ESMP investments until a framework for longer-term cost recovery through each company's base distribution rates is established. See also Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-150, at 40-41 (September 30, 2024). On November 21, 2024, the Department initiated Phase II of these proceedings and directed each of the Companies to submit an interim ESMP mechanism proposal for the Department's consideration. Phase II Procedural Notice at 3. The Department identified the items to be addressed by the Companies in their Phase II interim ESMP mechanism filings and established a procedural schedule, subsequently amended, to adjudicate and implement an interim ESMP mechanism prior to July 1, 2025, i.e., the start date of the first ESMP term established in the ESMP Order. Phase II Procedural Notice at 3-7;[2] D.P.U. 24-10/D.P.U. 24-11/

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2 In the Phase II Procedural Notice at 7-8, the Department also established separate procedural deadlines for near-term ESMP metrics and reporting requirements. These requirements will be addressed by the Department at a later date.

D.P.U. 24-12, Memorandum Amending Procedural Schedule (January 29, 2025); see also ESMP Order at 145-146, 434, 447; D.P.U. 23-150, at 41.[3]

On December 18, 2024, the Companies submitted their Phase II interim ESMP mechanism filings. On January 30, 2025, the Attorney General of the Commonwealth of Massachusetts ("Attorney General") submitted pre-filed testimony addressing the Companies' mechanism. No other intervenor sponsored witness testimony on these proposals or related issues. On March 12, 2025, the Department conducted Phase II evidentiary hearings.

On April 4, 2025, the Attorney General and Massachusetts Department of Energy Resources ("DOER") each submitted Phase II initial briefs, The Energy Consortium ("TEC") submitted a letter in lieu of a brief, and the Conservation Law Foundation submitted an email in lieu of a brief in support of the briefs filed by the Attorney General and DOER. On that same date, NSTAR Electric, National Grid, and Unitil jointly submitted a Phase II initial brief. On April 18, 2025, the Attorney General and DOER each submitted a Phase II reply brief, and the Companies jointly submitted a Phase II reply brief. On May 21, 2025, the Companies submitted a letter responding to proposals made in DOER's reply brief. On June 4, 2025, DOER responded to the Companies' May 21, 2025 Letter.

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3 In their initial filings in these proceedings, the Companies each proposed certain spending caps and cost recovery of proposed ESMP investments through various annually reconciling mechanisms. See ESMP Order at 435-437. The Department subsequently found the Companies' initial spending cap and cost recovery proposals to be beyond the scope of the initial phase of the proceedings and, instead, deferred consideration of the issues until a subsequent phase, to the extent we deemed recovery of ESMP costs outside of base distribution rates to be appropriate. ESMP Order at 435; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Interlocutory Order on Scope of Proceedings, at 15-16 (February 20, 2024).

In support of its Phase II interim ESMP mechanism filing in D.P.U. 24-10, NSTAR Electric sponsored the testimony of the following witnesses, all of whom are employed by Eversource Service Company ("ESC"):[4] (1) Jennifer A. Schilling, vice president of grid modernization; (2) Dr. Gerhard Walker, manager for advanced forecasting and modeling; (3) Dr. Elli Ntakou, manager of system resiliency and reliability; (4) Ashley N. Botelho, director of revenue requirements – Massachusetts; (5) Erin Engstrom, director of regulatory affairs and stakeholder engagement; (6) Lavelle A Freeman, vice president of distribution system planning; and (7) Meredith Boericke, manager for stakeholder engagement and regulatory affairs.

In support of its Phase II interim ESMP mechanism filing in D.P.U. 24-11, National Grid sponsored the testimony of the following witnesses, all of whom are employed by National Grid USA Service Company, Inc. ("NGSC"):[5] (1) Elton Prifti, director of distribution planning and asset management for New England; (2) Robert Andrew Schneller, vice president of electric strategy and regulation; (3) William F. Jones, director of ESMP development; (4) Andrew A. Gumbus, director of Massachusetts revenue requirements for New England regulation and pricing; and (5) Melissa A. Little, director of Massachusetts pricing for New England regulation and pricing.

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[4] ESC performs functions such as accounting, auditing, communications, rates, legal, regulatory affairs, information technology, and human resources for NSTAR Electric and other Eversource Energy subsidiaries. <u>ESMP Order</u> at 9 n.7; <u>NSTAR Electric Company</u>, D.P.U. 22-22, at 5 n.8 (2022).

[5] NGSC provides management, administrative, accounting, legal, engineering, information systems, and other services to National Grid USA subsidiaries, including Massachusetts Electric Company and Nantucket Electric Company. <u>ESMP Order</u> at 9 n.8; D.P.U. 23-150, at 5.

In support of its Phase II interim ESMP mechanism filing in D.P.U. 24-12, Unitil sponsored the testimony of the following witnesses, each of whom are employed by Unitil Service Company ("USC"):[6] (1) Kevin E. Sprague, senior vice president of electric operations; (2) Christopher J. Goulding, vice president of finance and regulatory; (3) Jacob S. Dusling, principal engineer; (4) Daniel T. Nawazelski, manager of revenue requirements; and (5) Alec O'Meara, director of external affairs.

For the Phase II interim ESMP mechanism portion of all three proceedings, the Attorney General sponsored the testimony of the following witnesses: (1) Paul J. Alvarez, president at the Wired Group; and (2) Dennis Stephens, independent consultant for the Wired Group.

The Phase II evidentiary record for each docket consists of the Phase I evidentiary record, each company's December 18, 2024 filing exhibits, the Attorney General's pre-filed testimony and supporting exhibits submitted on January 30, 2025, responses to additional information requests, witness testimony from the Phase II evidentiary hearings, and responses to Phase II record requests.[7]

In response to the interim ESMP mechanism proposals: (1) NSTAR Electric responded to 89 information requests and two record requests in D.P.U. 24-10; (2) National Grid responded

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[6] USC performs administrative and professional services for Unitil and its utility affiliates. ESMP Order at 10 n.9; Fitchburg Gas and Electric Light Company, D.P.U. 23-80/ D.P.U. 23-81, at 219 (June 28, 2024).

[7] All exhibits filed in each docket during Phase I were moved into the evidentiary record for that docket during evidentiary hearings conducted on April 22, 2024 (Tr. 7, at 1056-1057). The exhibits filed in each docket after Phase I were moved into the evidentiary record for that docket during the evidentiary hearings conducted on March 12, 2025 (Tr. 8, at 1196-1197).

to 93 information requests and three record requests in D.P.U. 24-11; (3) Unitil responded to 83 information requests and three record requests in D.P.U. 24-12; and (4) the Attorney General responded to five information requests applicable to each proceeding.

III. BACKGROUND

The instant proceedings are cases of first impression under the comprehensive legislative scheme set forth in G.L. c. 164, § 92B. See ESMP Order at 44-56, 441. In our ESMP Order at 55, 58, 252, the Department interpreted G.L. c. 164, § 92B, as evincing a clear legislative intent for each company to submit a forward-looking plan that proposes "discrete, specific, enumerated investments" and alternatives[8] at an accelerated pace above and beyond the company's typical, "core" distribution system planning investments,[9] and other planned investments, to: (1) enable progress towards the Commonwealth's clean energy, climate mitigation, and decarbonization goals through electrification and DERs; and (2) improve grid

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8 The Department explained how alternatives to investments under the various provisions of G.L. c. 164, § 92B, may involve an array of programs and considerations that vary based on context, and how consideration of alternatives applied to the Department's review of the ESMPs. ESMP Order at 305-308. Additionally, the Department observed that it would not be feasible for the Companies to address in their plans the entire array of alternatives, either customer-facing or distribution infrastructure alternatives, and corresponding scenarios that could apply to each proposed set of ESMP investments. ESMP Order at 306-307.

9 Core investments are each company's planned investments funded through base distribution rates to maintain the safety and reliability of the electric distribution system in the normal course of business. ESMP Order at 58.

reliability and resiliency[10] and to prepare for future climate-driven impacts. The Department expected the ESMPs to be each company's strategic plan outlining, in part, how the discrete ESMP investments proposed for the company's distribution system would achieve the statute's directives, and that we were not pre-approving or preauthorizing in the initial phase of the proceedings any proposed ESMP investments or related costs identified by the Companies. ESMP Order at 63-66, 318-319. The Department also explained that proposed ESMP investments identified within such strategic plans, which were based on outdated forecasts as of the Order's date, necessitated flexibility in implementation consistent with both typical distribution system and grid modernization planning. ESMP Order at 63-65.

For cost recovery associated with proposed ESMP investments, the Department determined that the Legislature afforded the Department the discretion to determine the appropriate cost recovery framework for such costs, i.e., through base distribution rates and/or through annually reconciling mechanism(s) outside base distribution rates. See ESMP Order at 441-442 (citations omitted). The Department found that, while we have long held that grid modernization investments should become each company's normal business practice over time, with associated cost recovery through base distribution rates, the evidence in these proceedings demonstrated that applying our existing standards for base distribution rates to ESMP costs

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10 Traditionally, reliability has focused on day-to-day or "blue-sky" performance that excludes low-probability and major events from consideration in measuring normal system performance based on regulatory criteria and accepted industry metrics and standards. ESMP Order at 252 n.79. Resiliency, on the other hand, is focused on the unlikely events and involves the ability of the distribution system to withstand and recover from disturbances and adverse events, including major storm events. ESMP Order at 252 n.79.

would not provide the step change needed to achieve the Commonwealth's greenhouse gas ("GHG") emissions targets in the current operating environment. ESMP Order at 443 (citations omitted). As a result, the Department found it necessary to establish a new, interim annually reconciling, targeted cost recovery mechanism for eligible ESMP investments. See ESMP Order at 65, 444; see also D.P.U. 23-150, at 40.

The Department specifically excluded from recovery through the interim ESMP mechanism costs associated with proposals to expand the Companies' existing electric vehicle ("EV") programs and the Provisional Program and decided to consider cost recovery relating to the long-term system planning process ("LTSPP") at a later date. ESMP Order at 445-446. The Department also identified its intent to investigate in a separate proceeding how innovative approaches to cost recovery through base distribution rates, i.e., the longer-term cost recovery framework, can further the purposes of G.L. c. 164, § 92B, optimally balance our priorities, and promote efficiency. ESMP Order at 444, 447. The Department explained that the development of short- and long-term cost recovery frameworks for eligible ESMP costs:

> will involve a balancing of the need to provide sufficient certainty to the Companies and their investors regarding recovery of the revenues necessary to support the ramp up in clean energy investments associated with achieving the Commonwealth's GHG emissions targets, versus the Department's equally important obligations to ratepayers to preserve affordability through rigorous oversight of utility expenditures to ensure that costs are minimized and the Companies are giving due consideration to alternative, lower cost solutions.

ESMP Order at 447; see also D.P.U. 23-150, at 40.

The Department instructed that our Phase II investigation may include, but need not be limited to: (1) the definitions of ESMP costs eligible for recovery; (2) cost containment provisions such as budget or revenue caps; (3) documentation required to support cost recovery;

(4) the Companies' processes for evaluating alternatives and addressing changed circumstances during the five-year ESMP terms; (5) consideration of possible mechanisms to encourage innovative approaches designed to minimize costs for ratepayers; and (6) a planned sunset of the interim ESMP mechanism. ESMP Order at 447; see also D.P.U. 23-150, at 41; Phase II Procedural Notice at 2. The Phase II Procedural Notice provided instruction for the Companies' Phase II cost recovery filings, including guidance on each of these six elements to be addressed by the Companies. See Phase II Procedural Notice at 3-6. The Department also conveyed our intent to prioritize affordability in our investigation of the interim ESMP mechanism. ESMP Order at 457-458, citing G.L. c. 25, § 1A.

IV. DESCRIPTION OF COMPANY PROPOSALS

A. Introduction

In their Phase II filings, NSTAR Electric, National Grid, and Unitil each proposed an interim mechanism for the recovery of costs associated with the company's implementation and deployment of ESMP-related capital investments and incremental O&M expenses as approved by the Department in these proceedings (D.P.U. 24-10, Exhs. ES-1, at 5-8; ES-3, at 1, 3, §§ 1.0, 3.9; D.P.U. 24-11, Exhs. NG-1, at 6-9; NG-3, at 1, 3, §§ 1.0, 3.9; D.P.U. 24-12, Exhs. UN-KSCG-1, at 6-8; UN-KSCG-3, at 1, 3, §§ 1.0, 3.9). More specifically, the Companies each provided a model and company-specific exemplar interim ESMP mechanism tariff for the Department's consideration, which if approved, would permit the company to recover eligible ESMP-related costs through an annually reconciling ESMP factor ("ESMPF") charged to ratepayers outside of the company's base distribution rates starting in 2026 (D.P.U. 24-10, Exh. ES-1, at 19; D.P.U. 24-11, Exh. NG-1, at 21; D.P.U. 24-12, Exh. UN-KSCG-1, at 20). The

Companies jointly developed the terms and conditions of the proposed ESMPF tariffs and requested the ability to recover costs associated with projects and activities categorized within their ESMPs as network investments, customer investments and programs ("customer investments"), platform investments, resiliency investments, and/or ESMP program administration, as applicable to the company (D.P.U. 24-10, Exhs. ES-1, at 7, 22-23; DPU-Common 13-2, Att.; D.P.U. 24-11, Exhs. NG-1, at 8, 23, 25; DPU-Common 13-2, Att.; D.P.U. 24-12, Exhs. UN-KSCG-1, at 8, 23; DPU-Common 13-2, Att.).[11] The Companies also proposed to recover costs associated with IEP activities and implementation of the CESAG, the costs of which the Companies include in different investment categories (D.P.U. 24-10, Exhs. ES-1, at 8-9, 20, 24; ES-ESMP-1 (Corrected) at 649; D.P.U. 24-11, Exhs. NG-1, at 9-10; NG-ESMP-1 (Corrected) at 253, 373; D.P.U. 24-12, Exhs. UN-KSCG-1, at 10, 20; DPU-Common 15-2(b); DPU-Common 15-3(d); D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU 1-1 & Atts.; DPU-Common 13-2, Att.). The Companies proposed in the ESMPF tariffs to define "eligible ESMP investments" as "investments necessary to execute on the company's ESMP, as approved by the Department in Phase I of [d]ocket D.P.U. 24-[xx] to advance the Commonwealth's clean energy and electrification goals . . ." (D.P.U. 24-10, Exhs. ES-1, at 22-23; ES-3, at 3, § 3.9; D.P.U. 24-11, Exhs. NG-1, at 24; NG-3, at 3, § 3.9; D.P.U. 24-12, Exhs. UN-KSCG-1, at 23; UN-KSCG-3, at 3, § 3.9).

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11 In its Phase II filing, Unitil originally grouped platform investments and customer investments together as "grid modernization investments" (D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9; DPU-Common 13-2, Att.).

The Companies' Phase II filings and the terms and conditions of the proposed tariffs identified the parameters that would apply to ESMP investments deemed eligible for recovery through the mechanism by the Department, including proposed timelines for filings, definitions for eligible investments, documentation to be included with the annual cost recovery filings, and annual rather than end-of-term prudency reviews, among other considerations (D.P.U. 24-10, Exhs. ES-1, at 5-27; ES-2; ES-3; D.P.U. 24-11, Exhs. NG-1, at 6-28; NG-2; NG-3; D.P.U. 24-12, Exhs. UN-KSCG-1, at 6-26; UN-KSCG-2; UN-KSCG-3). Additionally, the Companies each proposed a two-part cost cap for the mechanism applicable to first term ESMP investments as a cost containment measure: (1) an ESMP term spending cap of $339.0 million (NSTAR Electric), $2.2 billion (National Grid), and $52.2 million (Unitil), respectively;[12] and (2) a cap on the annual incremental revenue requirement proposed ("revenue requirement cap")[13] equal to 3.0 percent of the company's annual total revenues (D.P.U. 24-10, Exhs. ES-1, at 11, 22; ES-3, at 1, 9-10, § 7.0; D.P.U. 24-11, Exhs. NG-1, at 12, 24; NG-3, at 1, 8, § 7.0; D.P.U. 24-12,

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12 NSTAR Electric and National Grid identified these specific amounts in their exemplar tariffs (D.P.U. 24-10, Exh. ES-3, at 10, § 7.2; D.P.U. 24-11, Exh. NG-3, at 8, § 7.2). In contrast, Unitil identified an ESMP term spending cap of $52,238,000 in its exemplar tariff, which includes costs associated with its extension of its EV program (D.P.U. 24-12, Exhs. UN-KSCG-3, at 9, § 7.2; DPU-Common 13-2, Att.). For consistency in referencing in this Order, the Department rounds Unitil's cap to $52.2 million. Additionally, Unitil's proposed spending cap included costs associated with an extension of its existing EV program (D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9; DPU-Common 13-2, Att.). The company later removed EV-related program costs from its proposal, resulting in a spending cap adjustment to $51.1 million (D.P.U. 24-12, Exhs. DPU 12-1; AG-Common 3-1, Att. (1))

13 The Companies refer to this cap as a "revenue cap" but the Department finds "revenue requirement cap" more appropriate, as the proposed cap is applied to the proposed change in revenue requirement from year to year (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-6, DPU-Common 19-3).

Exhs. UN-KSCG-1, at 13, 26; UN-KSCG-3, at 1, 8-9, § 7.0). The Companies based their proposed ESMP term spending caps on the amounts attributed to these categories during Phase I of the proceedings (D.P.U. 24-10, Exhs. ES-1, at 11 n.1; ES-3, at 10, § 7.2; DPU-Common 13-2, Att.; D.P.U. 24-11, Exhs. NG-1, at 25; NG-3, at 8, § 7.2; DPU-Common 13-2, Att.; D.P.U. 24-12, Exhs. UN-KSCG-1, at 13, 26; UN-KSCG-3, at 9. § 7.2; DPU-Common 13-2, Att.).

B. ESMP Investments Proposed for Recovery Through Mechanism

1. Network Investments[14]

a. NSTAR Electric

NSTAR Electric did not propose ESMP network investments for the initial ESMP term and, as a result, its proposed budget for cost recovery did not identify costs associated with such investments (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 451; DPU-Common 13-2, Att.; DOER-Common 6-9(b)). In its Phase II filing, however, the company explained that its proposed ESMP tariff is designed to enable short-term cost recovery of eligible network investments (D.P.U. 24-10, Exh. ES-1, at 23).

b. National Grid

National Grid proposed recovery of network investments through the interim ESMP mechanism, with an associated budget of approximately $1.63 billion for the initial term

[14] The Companies described projects within this category of investments as new substation and distribution feeder upgrades to support electrification load growth and distributed energy resource interconnections, as well as investments to install and manage additional technology hardware to improve network operations and management (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 451; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 373; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 160, 176).

(D.P.U. 24-11, Exhs. NG-1, at 25; DPU 1-3; DPU-Common 13-2, Att.). The proposed network investments include the following types of projects: (1) substation and distribution feeder upgrades ($1.52 billion);[15] (2) distribution programs such as expanded conservation voltage reduction and volt/volt-amps reactive optimization ("CVR/VVO") and early fault detection ($35.10 million and $6.6 million, respectively); (3) integrated energy planning ($16.06 million);[16] and (4) company facilities with EV fleet and infrastructure acceleration ($56.2 million) (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 253; DPU 1-1; DPU-Common 13-2, Att.). The company explained that the primary focus of the network investments is to enable both load-serving and distributed energy resource ("DER") hosting capacity to meet forecasted electrification but, where appropriate, scoping for known reliability or resiliency concerns (D.P.U. 24-11, Exh. NG-Policy/Solutions-1 (Corrected) at 60, 114). These investments also continue certain grid modernization plan investments such as CVR/VVO (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 269-270).

The company identified more than 50 ESMP substation and distribution feeder projects[17] to address projected capacity deficiencies and to support electrification (primarily, adoption of

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15 This total includes approximately $408.6 million of estimated costs for approximately 40 substation and distribution feeder upgrades anticipated to be placed in service after the initial ESMP term (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.). National Grid describes these types of investments as "cross-over" investments (D.P.U. 24-11, Exh. NG-1, at 10).

16 These investments are described in further detail in Section IV.B.5., below.

17 In D.P.U. 24-11, National Grid uses the terms distribution feeder, line, and circuits interchangeably (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 21, 63 n.4 & Glossary at 4; DPU 1-1, Att. (1); DPU-Common 13-3, at 2). For this Order, the Department utilizes the term distribution feeder.

electric transportation and building heating) and DER interconnections of new solar and battery energy storage systems ("ESS") (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 21, 251, 291-292, 301-302, 313, 318, 324, 330, 336, 364-365; NG-Policy/Solutions-1 (Corrected) at 21-22, 70). The company included budget estimates of costs to be incurred for projects commencing in the initial ESMP term but expected to be placed in service after the initial ESMP term (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.). The budget estimates for these projects were derived from conceptual engineering cost estimates consistent with costs associated with similar projects (D.P.U. 24-11, Exh. DPU 1-1, at 2). The following table summarizes the substation and distribution feeder projects and associated budgets identified by National Grid for the five-year ESMP term:

National Grid Cost Estimates:
ESMP Substation and Distribution Feeder Projects[18]

Substation and Distribution Feeder Projects	Estimated Capital Costs ($ Million)	Estimated O&M Costs ($ Million)	Estimated Total Costs ($ Million)
In service by 2029[19]	$1,059.1	$45.6	$1,104.7
In service post-2029[20]	$356.9	$3.9	$360.8
Total	**$1,416.0**	**$49.5**	**$1,465.5**

(D.P.U. 24-11, Exh. DPU-Common 13-2, Att.).

18 There may be slight variations in numbers due to rounding and different presentations in exhibits.

19 These totals exclude warehouse costs discussed later in this section.

20 These totals exclude the three ESMP EV highway charging station projects discussed herein.

Within its ESMP substation and distribution feeder projects, National Grid identified three substation projects to support the anticipated demand associated with EV charging along highways in Massachusetts (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 307, 326, 332; DPU-Common 13-2, Att.). The company projected in-service dates of 2035 for each project (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.). National Grid explained that it selected these sites to align with the capacity needs projected in its Electric Highways Study (D.P.U. 24-11, Exh. DPU 15-5). The following table summarizes the three projects:

National Grid's ESMP EV Highway Charging Station Projects

Substation Location	**Estimated Total Costs - Capital ($ Million)**	**Project Description Overview**
Bridgewater (supporting northbound and southbound service plazas on Route 24)	$15.30	New greenfield substation to be built on a company-owned parcel and supplied by new loop on the 115kV E1 transmission line.
Charlton (supporting eastbound and westbound plazas on I-90)	$8.35	New substation supplied from existing 115kV transmission stepped down to four underground 34.5kV supply lines. Final plans and location dependent on land acquisition efforts.
Westborough (supporting westbound service plaza on I-90)	$24.10	New substation supplied from existing 115kV transmission stepped down to two underground 34.5kV supply lines. Final plans and location dependent on land acquisition efforts.
Total	**$47.75**[21]	

(D.P.U. 24-11, Exh. DPU-Common 13-2, Att.).

21 National Grid did not identify any estimated O&M costs for these projects (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.).

As noted above, the company's CVR/VVO investments would continue certain grid modernization plan investments, and the budget estimates derived from the company's subject matter expert ("SME") experience with deploying these investments (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 269-270; DPU 1-1, at 2). The company explained that the CVR/VVO projects would: (1) achieve energy conservation; (2) provide support for renewable energy by ensuring steady voltage levels; (3) ensure equipment can operate at optimal levels for enhanced equipment longevity; (4) provide superior reactive power control to ensure power is received within the desired range; (5) improve grid visibility by incorporating CVR/VVO into the advanced distribution management system ("ADMS"); and (6) improve the company's ability to optimize and control load flow (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 269-270).

The company identified early fault detection technology investments to detect and locate defects in electrical infrastructure (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 270; DPU-Common 13-2, Att.). The company's budget estimates were derived from its SME experience in installing and maintaining the technology during a two-year pilot (D.P.U. 24-11, Exh. DPU 1-1, at 2). National Grid anticipated deploying the technology onto a mix of higher-risk circuits as well as circuits that service environmental justice ("EJ") populations (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 270-271).

Additionally, National Grid identified ESMP projects and spending to facilitate accelerated electrification of the company's medium- and heavy-duty fleet ("MHDEV") vehicles (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 353-354; DPU 1-1, at 3 & Att. (11); DPU 12-2; DPU-Common 13-2, Att.; DPU 15-3). Specifically, the company provided preliminary, conceptual estimates of approximately: (1) $53.15 million in infrastructure and charging facilities for company-owned and leased MHDEV vehicles, assuming an incremental deployment of 20 Level 2 chargers and 27 DC fast charging ports per year for five years; (2) $0.33 million in lease costs associated with accelerating its fleet transition for MHDEV; (3) $0.20 million in fleet telematics and contractor resources to support the planning and execution of the charging infrastructure and EVs; and (4) $2.50 million in garage equipment at eight Massachusetts Electric Company garages, including mobile charging units so EVs do not have to return to an operating yard to charge (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 353-354; DPU 1-1, Att. (11); DPU-Common 13-2, Att.). The company explained that these investments would allow it to keep pace with the delivery of the Commonwealth's 2050 climate goals as outlined in the Clean Energy and Climate Plan ("CECP") (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 353; DPU 12-2).

Finally, the company identified approximately $6.82 million in estimated costs to expand its warehouse space, assuming a need for an additional 60,000 square feet in space to accommodate the storage, management, and provisioning of materials necessary for its network investments (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 353; DPU 1-1, Att. (11); DPU-Common 13-2, Att.). National Grid based its estimate on active market rates for the assumed size of the space and associated acreage (D.P.U. 24-11, Exh. DPU 1-1, at 3).

c. Unitil

Unitil proposed recovery for three ESMP network investment project types, with an associated budget of approximately $42.6 million for the initial term: (1) expansion of the Lunenberg substation ($9.1 million); (2) a new-build South Lunenberg substation

($20.5 million); and (3) VVO and early fault detection/automation ($13.0 million) (D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9; UN-ESMP-1 (Corrected) at 14, 129-132, 157-158, 160, 176; DPU 1-1; DPU-Common 13-2, Att.).

The company explained that the Lunenberg and South Lunenburg substations projects would enable more than 15 megawatts ("MW") and 30 MW, respectively, of capacity additions, and would enable it to proactively meet electrification load growth and DER interconnections as informed by the demand assessment it developed for its ESMP (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 157-158, 173-174; UN-Policy/Solutions-1 (Corrected) at 83-84). The company anticipated in-service dates of 2026 and 2029, respectively (D.P.U. 24-12, Exh. DPU-Common 13-2, Att.). The company based its budget estimates on recent projects of similar sizes completed in its New Hampshire affiliate's service territory, with an additional 25 percent contingency/escalation factor (D.P.U. 24-12, Exh. DPU 1-1, at 7-8).

The VVO and automation investments would involve installation of automated communications and controls on all voltage regulators, capacitor banks, energy measurement devices, and substation load tap changers, implementation of automation functionality at the company's remaining substations, and extension of the supervisory control and data acquisition ("SCADA") monitoring and control on the distribution system (D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 129-132). The company explained that these investments would be a continuation of existing grid modernization projects (D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9; UN-ESMP-1 (Corrected) at 129-132). The company based its budget estimates on past similar projects (D.P.U. 24-12, Exh. DPU 1-1, at 3-4).

2. Customer Investments[22]

a. Overview

NSTAR Electric identified several ESMP customer investments for the initial term, with an associated budget of approximately $58.5 million (D.P.U. 24-10, Exhs. ES-1, at 24; DPU-Common 13-2, Att.). The company identified the following types of investments within this category: (1) enablement of grid services and non-wire alternatives ("NWAs") through implementation of a Grid Services Compensation Fund ($25 million); (2) software tools and labor to improve its IEP ($13.5 million);[23] (3) software and tools to support DER dispatch into ISO New England ("ISO-NE") markets and to implement Federal Energy Regulatory Commission ("FERC") Order 2222 ($10 million);[24] and (4) an ESS at its Southampton substation to demonstrate use of ESS in VVO schemes ($10 million) (D.P.U. 24-10, Exhs. ES-1, at 24; DPU 1-1 & Atts.; DPU-Common 13-2, Att.).

National Grid identified the following types of customer investments, with an associated budget of approximately $99.75 million, for recovery through the ESMP mechanism: (1) implementation of the Grid Services Compensation Fund ($50.0 million); (2) customer

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22 The Companies described projects within this category of investments as new programs and demonstrations to advance virtual power plants, use of DERs for grid services, and investments in new clean energy customer portals and enabling technologies (D.P.U. 24-10, Exhs. ES-1, at 24; ES-ESMP-1 (Corrected) at 451; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 374; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 160, 176).

23 These investments are described in further detail in Section IV.B.5., below.

24 The Companies maintain that the primary goal of FERC Order 2222 is to better enable DERs to participate in electric markets run by regional aggregators, such as ISO-NE (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 677; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 4; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at xiv).

programs and enabling technology ($37.6 million); (3) metering and billing systems ($9.4 million); (4) an income-eligible battery virtual power plant ("VPP") offering ($2.27 million); and (5) an all-electric new construction demonstration project ($0.48 million) (D.P.U. 24-11, Exhs. NG-1, at 25; DPU 1-1, Att. (13); DPU-Common 13-2, Att.).

Unitil also proposed recovery for the following investments within this category, totaling $1.0 million for the term: (1) the enablement of grid services through the Grid Services Compensation Fund ($0.55 million); and (2) implementation of FERC Order 2222 ($0.45 million) (D.P.U. 24-12, Exhs. DPU 1-1; DPU-Common 13-2, Att.; AG 7-1).

b. Grid Services Compensation Fund

The Companies explained that in consultation with the Massachusetts Clean Energy Center ("MassCEC"), they plan to coordinate the establishment of a Grid Services Compensation Fund to support delivery of NWA projects over the five-year term by compensating customers participating in grid services programs (D.P.U. 24-10, Exhs. ES-1, at 24; ES-ESMP-1 (Corrected) at 429; ES-Policy/Solutions-1, at 88; DPU 1-1; D.P.U. 24-11, Exhs. NG-1, at 17; NG-ESMP-1 (Corrected) at 296-297, 374; DPU 1-1; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 124-125; UN-Policy/Solutions-1, at 65, 89; DPU 1-1). As noted above, the Companies budgeted the amounts to be recovered for the Grid Services Compensation Fund through the ESMP mechanism: $25.0 million (NSTAR Electric), $50 million (National Grid), and $0.55 million (Unitil), respectively (D.P.U. 24-10, Exhs. DPU 1-1 & Att. (d); DPU-Common 13-2, Att.; D.P.U. 24-11, Exhs. DPU 1-1 & Att. (13); DPU-Common 13-2, Att.; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 124-126; UN-Policy/Solutions-1, at 65, 89; DPU 1-1). NSTAR Electric calculated its budget based on early projections for customer participation, assuming an estimated $/MW annual incentive level (D.P.U. 24-10, Exh. DPU 1-1 & Att. (d)). Similarly, National Grid based its budget on a preliminary assessment of the expected capacity needed, customer incentive level required to attain sufficient participation, and the potential deferral value of the two feeder expansion projects for which the company intends to pursue asset deferral NWAs (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 296; DPU 1-1 & Att. (13)). National Grid incorporated a 15 percent contingency amount for this project (D.P.U. 24-11, Exh. DPU 1-1, Att. (13)). Unitil explained that it derived its preliminary budget from estimates for connecting ten DERs greater than 500 kW and compensating each DER up to $5,000 for benefits it provides to the system (D.P.U. 24-12, Exh. DPU 1-1).

Additionally, the Companies explained that they planned to conduct a Grid Services Study and a Transactional Energy Study, in coordination with MassCEC, to inform the Grid Services Compensation Fund (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 429; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 351; D.P.U 24-12, Exh. UN-ESMP-1 (Corrected) at 125). The Companies further explained that the Grid Services Study would review the value of DERs and load flexibility as a locational grid service and inform a grid services compensation framework under the Grid Services Compensation Fund (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 429; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 351; D.P.U 24-12, Exh. UN-ESMP-1 (Corrected) at 125). The Transactional Energy Study would build on the findings from the Grid Services Study to develop recommendations for a more dynamic locational value compensation framework and eligibility requirements for the Grid Services Compensation Fund (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 430; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 351; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 125). The Companies explained that they planned to conduct the Transactional Energy Study during the second half of the ESMP term to inform proposals in the Companies' next ESMPs (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 429; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 351; D.P.U 24-12, Exh. UN-ESMP-1 (Corrected) at 125). The Companies did not identify budget amounts for these two studies.

Further, NSTAR Electric noted that, on September 25, 2024, the U.S. Department of Energy ("DOE") announced an award to the company of up to $19.5 million as part of a cooperative agreement for the company-led Outer Cape Microgrid Optimization ("OCMO") project, proposed in collaboration with the National Renewable Energy Laboratory and Cape Light Compact, to demonstrate at scale the use of DER management system ("DERMS") technology integrated with its distribution management system (D.P.U. 24-10, Exh. ES-1, at 12). The company described the OCMO project as primarily enhancing reliability and resiliency in the outer Cape Cod region by dispatching up to 20 MW of customer-owned DER in coordination with the company's existing 24.9 MW ESS and associated microgrid in Provincetown (D.P.U. 24-10, Exh. ES-1, at 12). The project would also include a DERMS-only region in Cape Cod to demonstrate the use of DERMS to dispatch customer-owned DER for additional use cases (D.P.U. 24-10, Exh. ES-1, at 12). The company explained that its cost-share for the OCMO project includes its ESMP investments for DERMS Phase II[25] and the Grid Services Compensation Fund, which it notified the DOE are dependent on finalizing the interim ESMP mechanism (D.P.U. 24-10, Exh. ES-1, at 12-13).

[25] NSTAR Electric's DERMS Phase II investments are described in further detail in Section IV.B.3.a., below.

c. FERC Order 2222

NSTAR Electric and Unitil identified budget estimates specific to FERC Order 2222 implementation. For its part, National Grid explained that its DERMS Phase II investments, described in Section IV.B.3.b., below, would help to enable customer DERs to participate in the ISO-NE wholesale market per FERC Order 2222 (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 266). All three Companies explained, however, that they are working with ISO-NE to define appropriate rules and procedures related to registration and enrollment of new DER aggregations into the wholesale market and operational coordination between the distribution utilities and ISO-NE (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-Common 1-6).[26] The Companies also explained that, as they utilize the Grid Services Compensation Fund to offer new local grid services programs, they will coordinate with ISO-NE as needed to establish appropriate rules and procedures related to dual-participation and operational coordination (D.P.U. 24-10/ D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-Common 1-6).

To implement FERC Order 2222, NSTAR Electric anticipated investments in software, information technology ("IT") infrastructure hardware, and associated control room capabilities supporting the collection of information on dispatch schedules, system constraints, planned outages, and other events, to communicate with ISO-NE regarding dispatch limitations, and to monitor ISO-NE dispatch in real time (D.P.U. 24-10, Exhs. ES-1, at 24; ES-ESMP-1 (Corrected) at 340; DPU 1-1, at 2 & Att. (c); DPU-Common 13-2, Att.). The company based its budget

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26 At the time of their discovery responses, NSTAR Electric and National Grid noted that uncertainty remained with respect to final implementation of FERC Order 2222 by ISO-NE (D.P.U. 24-10/D.P.U. 24-11, Exhs. AG-Common 1-6).

estimates on costs for similar projects used to support real-time system operations (D.P.U. 24-10, Exhs. DPU 1-1, at 2 & Att. (c)). Unitil similarly explained that its FERC Order 2222 enablement program and associated budget estimates anticipate modifications to company software, control systems, and other system upgrades to facilitate participation of DER in wholesale markets, as well as increases to licensing costs (D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9; UN-Policy/Solutions-1, at 69; DPU 1-1, at 4-5; DPU-Common 13-2, Att.).

d. Remaining Company-Specific Investments

i. NSTAR Electric

NSTAR Electric explained that its Southampton ESS project would involve the installation of a two MW ESS at an existing company-owned photo-voltaic site in Southampton, Massachusetts, and installation of a three megavolt-ampere inverter to provide reactive support (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 340-341). The company derived its budget estimates from similar equipment installation projects and review of historic battery material costs, as well as an assessment of a "+50/-25" percent range reflecting supply chain constraints and inflation (D.P.U. 24-10, Exhs. DPU 1-1, at 1 & Att. (b)).[27] The company's budget estimates included line-item costs attributed to siting approvals and permits, outreach, engineering and design, materials and construction, testing, project management, removals, and a 15.4 percent contingency (D.P.U. 24-10, Exh. DPU 1-1, Att. (b)).

[27] The company explained that the $10.0 million cost estimate reflected an assessment of the likely cost based on this range, with a low of $5.7 million (-25 percent) and a high of $11.4 million (+50 percent) (D.P.U. 24-10, Exh. DPU 1-1, Att. (b)).

ii. National Grid

Regarding its investments in customer programs and enabling technology, National Grid identified four sub-categories of projects with associated costs: (1) incremental customer category full-time employees ("FTEs") to deliver the ESMP ($20.7 million);[28] (2) investments to improve the DER interconnection and electric connection processes, including improvements to the existing ConnectNow customer portal for DER interconnections ($10.2 million); (3) a new software-as-a-service platform, Clean Energy Platform 2.0, as a unified customer portal to facilitate future participation in customer rebates and incentive programs, including for EVs and for its energy efficiency ("EE") programs, to replace its existing demand-side management system, InDemand ($4.2 million); and (4) a flexible connections pilot for commercial and fleet EV charging customers, by building and testing the technology at select locations as an option in lieu of or as an interim mitigation while the customers await distribution system upgrades ($2.5 million) (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 279-281, 347; NG-Policy/Solutions-1 (Corrected) at 86-87; DPU-Common 13-2, Att.). The company derived budget estimates for these projects from similar existing practices, activities, and pilots, as well as online market research and preliminary quotes for novel components (D.P.U. 24-11, Exhs. DPU 1-1, at 4-5, 9-10 & Atts. (13), (15)). Additionally, the budget for the Clean Energy Platform 2.0 distinguishes between costs to be allocated to the company's EE programs versus costs to be allocated via the ESMP mechanism (D.P.U. 24-11, Exh. DPU 1-1, Att. (13)).

28 Of the $20.7 million identified for FTEs during the first ESMP term, the company identified $10.91 million as capital costs and $9.79 million as O&M costs (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.).

For the metering and billing systems, the company identified two projects: (1) a time-varying rate ("TVR") billing system to supplement its existing customer information and billing system, to facilitate more complex TVR offerings ($4.8 million); and (2) a DER markets settlement engine to allow the company to implement new incentive programs to activate and compensate individual customers and third-party aggregators for using flexible DERs for grid services ($4.6 million) (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 260, 276-279; NG-Policy/Solutions-1 (Corrected) at 86; DPU 1-1, at 5, 9 & Att. (13); DPU 13-3; DPU 15-1; DPU-Common 13-2, Att.). The cost estimates for the TVR billing system derived from consultant experience and vendor inputs and include a 25 percent contingency amount (D.P.U. 24-11, Exhs. DPU 1-1 & Att. (13)). The cost estimates for the DER markets settlement engine derived from a consultant-led study of the company's DERMS investments and identified a 50 percent allocation to Massachusetts Electric Company (D.P.U. 24-11, Exhs. DPU 1-1 & Att. (13)).

For its income-eligible VPP offering, National Grid explained that the program would provide an ESS at no upfront cost to a select group of income-eligible customers as part of a bridge-to-wires NWA location and, in exchange, the company would retain control of the ESS for use as an NWA to address locational peak load constraint (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 350-351; NG-Policy/Solutions-1 (Corrected) at 76-77). The company further explained that eligible customers would benefit from increased resiliency via backup power (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 350). The company explained that it would manage 80 percent of each customer's energy storage capacity and aggregate those resources as a VPP to alleviate localized grid constraint events, while leaving 20 percent of each customer's capacity for short-term resiliency during unexpected outages (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 351). The company anticipated that, where possible, it would focus on outage-prone and constrained feeders within EJ populations based on reported outage metrics (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 350-351). Based on lessons learned, National Grid may scale additional projects during 2030 through 2034 (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 350). The company based its budget estimates for this program on published costs for ESS, upfront incentive discounts published by vendors, and EE program costs related to marketing, evaluation, measurement, and verification (D.P.U. 24-11, Exhs. DPU 1-1 & Att. (13)).

Lastly, the all-electric new construction demonstration project would involve the company partnering with an all-electric multifamily or large commercial and industrial new construction project, with solar, ESS, EV charging, heat pumps, other DERs and/or smart devices controlled by building management, and would provide the customer financial incentives in exchange for company control in operating the customer's integrated load and generation assets (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 348-349; NG-Policy/Solutions-1 (Corrected) at 76; DPU-Common 13-2, Att.). The company planned to locate the project in a constrained bridge-to-wires location to alleviate capacity constraints during local feeder- or substation-level peaks (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 349; NG-Policy/Solutions-1 (Corrected) at 76). Eligible customers and technologies for these incentives would be the same as those currently eligible for EE rebates, Connected Solutions demand response incentives, and managed EV charging rebates (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 348). National Grid planned to conduct further analyses of specific NWA needs to determine the appropriate level of incentive and committed to working with MassCEC, NSTAR Electric, Unitil, and other stakeholders via the Grid Services Study to help inform the level of incentive to be offered in prioritized locations (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 348). The company's budget estimates for this program derived from a similar project conducted by the company's New York affiliate, with line items associated with telecommunications gateways and telemetry, submetering, demand charge offsets, and grid services (D.P.U. 24-11, Exhs. DPU 1-1 & Att. (13)).

3. Platform Investments[29]

a. NSTAR Electric

For platform investments, NSTAR Electric identified DERMS Phase II investments for recovery through the interim ESMP mechanism, with an associated budget of $55.5 million for the initial ESMP term (D.P.U. 24-10, Exhs. ES-1, at 11, 23-24 & n.1; ES-ESMP-1 (Corrected) at 435, 438; DPU 1-1, Atts. (e)-(f); DPU-Common 13-2, Att.). NSTAR Electric explained that its DERMS Phase II project would: (1) continue its DERMS Phase I investments included in its 2022 through 2025 grid modernization plan, expanding DERMS from one region of its territory to providing the capability to its entire service territory, and extending dispatch capabilities to include behind-the-meter DERs though integration with the company's aggregator DERMS; (2) add new functionalities, including multi-variable dispatch optimization and improved

[29] The Companies described projects within this category of investments as investments identified to leverage data, digitalization, and other platforms to optimize infrastructure and meet evolving customer needs (D.P.U. 24-10, Exhs. ES-1, at 24; ES-ESMP-1 (Corrected) at 451; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 374; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 160, 176).

dispatch logic to be able to support more market-based dispatch as envisioned by the Grid Services Compensation Fund; (3) improve the control room DER dispatch process; and (4) upgrade its eastern service territory SCADA to align with the newer SCADA software in the western region (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 337-338, 451). The company also identified a need for incremental labor for four FTEs to support real-time DER dispatch and optimization at its system operations center (D.P.U. 24-10, Exhs. DPU 1-1, at 2 & Att. (e); DPU-Common 13-2, Att.). The company calculated its budget estimates based on costs incurred during its implementation of DERMS Phase I, as well as on an assessment of its incremental labor requirements and necessary training (D.P.U. 24-10, Exhs. DPU 1-1, at 2 & Atts. (e)-(f)). The company's capital cost estimates included a 25 percent contingency amount (D.P.U. 24-10, Exh. DPU 1-1, Att. (f)).

b. National Grid

For its platform investments, National Grid identified the following six sub-categories of investments, with an associated budget of $400.1 million for the initial term: (1) network management technologies and platforms, including DERMS Phase II ($91.5 million); (2) communications ($164.8 million); (3) data management platforms ($11.9 million); (4) digital products for asset planning, management, and operations ($69.2 million); (5) cybersecurity ($61.5 million); and (6) incremental FTEs associated with these investments ($1.35 million) (D.P.U. 24-11, Exhs. NG-1, at 25; NG-ESMP-1 (Corrected) at 23, 254, 260-261, 358, 362, 374; NG-Policy/Solutions-1 (Corrected) at 108; DPU 1-1, at 6-8 & Atts. (14)-(15); DPU-Common 13-2, Att.). The company explained that it derived budget estimates for these sub-categories on historic and current developments on leveraging these capabilities and evaluating strategies to be more efficient, historic experience in its grid modernization plan implementation, consideration of build/buy/lease/hybrid model scenarios (i.e., reviewing scenarios where it should leverage building, leasing or buying services in the market, and/or finding a hybrid model that blends the three strategies), and expected resource requirements (D.P.U. 24-11, Exh. DPU 1-1, at 6-8).

For network management technologies and platforms, National Grid identified DERMS Phase II, active power restoration services ("APRS"), and future of network demonstration projects (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 265-269). The company explained that its DERMS Phase II project would expand on its DERMS Phase I investments implemented as part of its 2022 through 2025 grid modernization plan (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 265). The company indicated that it would use the DERMS Phase II investments to scale and expand capabilities for flexible interconnections, to enhance hosting capacity, and to leverage DERs for grid services (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 265-266). The company explained that the APRS project would enhance its current fault location, isolation and service restoration ("FLISR") control scheme and support the deployment of new features in its ADMS and DERMS to better integrate DERs on the network as part of its outage restoration strategy (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 267-268). The future of network demonstration projects would test the ability of substation-edge computing to facilitate more autonomous data-driven management of the network and would be supplemented with funding from the U.S. DOE under the Infrastructure Investment and Jobs Act ("IIJA") (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 268). The company also indicated that it anticipated requesting cost recovery through the interim ESMP mechanism for IIJA-related platform investment costs incurred during January 1, 2025 through July 1, 2025, estimated at $4.2 million ($3.4 million in capital costs and $841,000 in O&M) (D.P.U. 24-11, Exh. DPU-Common 13-5).[30]

The following table categorizes the ESMP communications investments identified by National Grid for recovery through the mechanism:

National Grid Costs Estimates[31] for ESMP Communications Projects

	Estimated Capital Costs ($ Million)	Estimated O&M Costs ($ Million)	Estimated Total Costs ($ Million)
NCIS[32] – Data Networks	$50.9	$42.9	$93.8
OpTel – Private Fiber Expansion and Tier 3 (Grid Mod)	$22.0	$4.0	$26.0
Telecom/SCADA Analog Replacement (Grid Mod)	$24.2	$2.2	$26.4
Telecom/Tier 3 Base (Grid Mod)	$15.2	$3.4	$18.6
Total	**$112.3**	**$52.5**	**$164.8**

(D.P.U. 24-11, Exhs. DPU 1-1, Att. (14); DPU-Common 13-2, Att.).

The company explained that it utilizes a combination of private telecommunications networks and leased wired and wireless circuits and services to meet its communications needs, including for corporate enterprise functions, tele-protection, SCADA, physical security required at facilities, grid edge devices, off-site data center connectivity, company facility

30 The company did not identify any other platform investment costs for which it anticipated seeking cost recovery through the mechanism for this period (D.P.U. 24-11, Exh. DPU-Common 13-5).

31 There may be slight variations in numbers due to rounding and different presentations in exhibits. The costs associated with fiber network expansion include “Optel – Private Fiber Expansion and Tier 3” and “Telecom/SCADA Analog Replacement.”

32 National Grid did not memorialize this acronym.

interconnections, and to support telemetered communications to larger scale DERs (500 kW+) based on current interconnection requirements (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 204). The company further explained that, while the existing communications network has supported legacy grid data requirements, it is inadequate for the envisioned future intelligent network operation that involves more dynamic and interactive network management, particularly as DER adoption expands and creates new opportunities to better integrate customer devices into grid operations (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 204). The company identified the ESMP communications investments as foundational data network technologies, with a significant portion of the costs attributed to building and operating a private network, and as a continuation of its grid modernization plan investments (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 271-272).

National Grid explained that NCIS-Data Network investments would involve investments in foundational data network technologies components to provide a securable, maintainable, and scalable solution that can be built upon to deliver the desired outcomes supporting reliability, affordability, and sustainability for the Company's customers (D.P.U. 24-11, Exhs. DPU 1-1, Att. (14); DPU-Common 13-2, Att.). Telecom/tier three base station investments would involve investments to enable control of consumer DER and granular distribution control through ADMS (i.e., FLISR, capacitor banks, VVO, reclosers, SCADA, etc.) to route energy where it is needed to enhance reliability (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.).

National Grid explained that it would expand its private-fiber network and retire "archaic" analog and digital leased lines, leveraging ongoing efforts where possible, and to scale up and backhaul its field area network ("FAN") communications requirements (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 272). National Grid further explained that both its private fiber network expansion and its telecom/SCADA analog replacements are in response to commercial carriers' imminent plan to replace certain equipment with digital technologies that may not represent the most appropriate technologies to modernize the grid (D.P.U. 24-11, Exhs. DPU 13-1; DPU-Common 13-2, Att.). The costs associated with the fiber expansion include project management, engineering and design, communications equipment, fiber, splicing, and site work for fiber entry and termination equipment (D.P.U. 24-11, Exh. DPU 13-1).

For its data management program investments, the company described investments in intelligent data capture and grid asset data enhancements (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 283-285; DPU-Common 13-2, Att.). The company anticipated that these investments would provide more granular data, including AMI data, to its ADMS and other tools to better understand, maintain, and operate its network, better support DER digital product investments, and leverage machine learning and artificial intelligence to model, compare, and correct data based on aerial and ground-based light detections and ranging and photogrammetry (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 283-285; DPU-Common 13-2, Att.).

For its asset planning, management, and operations investments, National Grid explained that it anticipated deploying new technology to increase the efficiency and effectiveness of how it plans, designs, builds, and operates the electric network (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 285). Specifically, the company described focusing investment on new digital products to: (1) aid in identifying, designing, and scoping network investments; and (2) streamline the efficiency of existing processes across the work execution lifecycle, including permitting, scheduling, supply chain management, resource management, and onboarding

(D.P.U. 24-11, Exh. DPU-Common 13-2, Att.). The company also described investment in a transactional digital twin model, which would provide a virtual representation of the physical assets on its network and allow real-time visibility into the performance and health of its network (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 284-285, 427; DPU-Common 13-2, Att.).

Additionally, National Grid identified cybersecurity investments to support its ESMP investments, including VVO, ADMS, and DERMS (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 288; DPU 1-1, Att. (14); DPU-Common 13-2, Att.). To facilitate the integration of new technology and manage potential cybersecurity risks, the company would invest in device management, network convergence, penetration testing, and security orchestration automation and response to detect, mitigate, and respond to security events (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 287-288; DPU 1-1, Att. (14); DPU-Common 13-2, Att.).

Finally, National Grid identified a need for incremental FTEs to support its platform investments (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.).

c. Unitil

Unitil identified the following three sub-categories of investments for its initial ESMP term platform investments, with an associated budget of approximately $2.1 million: (1) ADMS/DERMS ($1.1 million); (2) automation ($0.4 million); and (3) cybersecurity ($0.6 million) (D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9; UN-ESMP-1 (Corrected) at 14, 18, 128-135, 176; DPU 1-1, at 2-5; DPU-Common 13-2, Att.). The company described each of these projects as new or incremental investments in grid modernization projects, in part, extending from its most recent Department-approved grid modernization plan in Fitchburg Gas and Electric Light Company, D.P.U. 21-82 (D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9;

UN-ESMP-1 (Corrected) at 15, 128-134; DPU 1-1, at 2). The company derived its budget estimates from vendor discussions and quotes and from similar projects previously deployed by the company (D.P.U. 24-12, Exh. DPU 1-1, at 2-5).

For its ADMS/DERMS investment, the company explained that it would continue the deployment of ADMS and related functionalities from its existing grid modernization plan, and (1) incorporate the DERMS model and associated functionality into its ADMS platform and transition from its existing “model-based” VVO to a “meter-based” VVO system; and (2) complete implementation of the unbalanced load flow and short circuit modules within ADMS to enable the ADMS platform to perform all FLISR, VVO, and other required load flow functions (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 15, 107, 128-132; DPU 1-1, at 2). The company’s budget estimate also includes one FTE to support its ADMS efforts, and due to the overlap with the current grid modernization term, the budget excluded costs associated with this project for 2025 (D.P.U. 24-12, Exhs. DPU 1-1, at 2; DPU-Common 13-2, Att.). Unitil’s planned investment in automation would add SCADA monitoring at its remaining substations and extend monitoring and control out on its distribution system to reduce outage response and restoration times (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 131-132; DPU-Common 13-2, Att.). The cybersecurity investments would include security enhancements to the company’s operations technology and IT to identify and mitigate risks (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 133-135; DPU 1-1, at 5-7).

4. Resiliency Investments[33]

a. NSTAR Electric

NSTAR Electric proposed recovery through the interim ESMP mechanism of targeted ESMP resiliency investments, with an associated budget of approximately $225.0 million for its first five-year ESMP term (D.P.U. 24-10, Exhs. ES-1, at 11, 24; ES-ESMP-1 (Corrected) at 440-441, 626; DPU-Common 13-2, Att.). The types of resiliency investments identified by the company for recovery would involve incremental undergrounding, reconductoring and other storm hardening infrastructure upgrades, as well as resiliency tree work (D.P.U. 24-10, Exhs. ES-1, at 24; ES-Policy/Solutions-1, at 66-67; DPU-Common 13-2 & Att.).[34] The budget was derived from preliminary cost estimates and initial scoping for 32 undergrounding projects, three aerial cable projects,[35] three tree wire projects, and 15 resiliency tree work projects (D.P.U. 24-10, Exhs. DPU 6-10; DPU 6-11; DPU-Common 13-2 & Att.; AG 2-5 & Att. (b)).

The ESMP resiliency projects identified by NSTAR Electric reflect a multi-year distribution hardening program targeting specific locations for resiliency upgrades designed to

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33 The Companies described projects within this category of investments undergrounding, reconductoring, and other storm hardening infrastructure upgrades (D.P.U. 24-10, Exhs. ES-1, at 24; ES-ESMP-1 (Corrected) at 451; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 374; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 160, 176). For NSTAR Electric, this category also includes resiliency tree work (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 441, 622-623; DPU-Common 13-2, Att.).

34 The company explained that it considers resiliency tree work as the only resiliency solution that aims to mitigate the cause rather than adapting and hedging against it (D.P.U. 24-10, Exh. ES-Policy/Solutions-1, at 67).

35 Resiliency investments in aerial cables may also include spacer cables (Tr. 8, at 1156).

reduce all-in system average interruption duration index ("SAIDI")[36] and were prioritized based on historical outage data (D.P.U. 24-10, Exh. ES-1, at 24; ES-ESMP-1 (Corrected) at 618-626). Specifically, the company's proposed resiliency model targeted zones[37] that were major contributors to all-in SAIDI between 2019 and 2022 due to experiencing either multiple customer outage events (i.e., chronic problems) or at least two outage events with more than 1,000,000 average customer minutes of interruption ("CMI") (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 621; AG-Common 2-4). Next, based on the range of resiliency solutions identified by NSTAR Electric (e.g., undergrounding, aerial cable, reconductoring, and resilience tree work), the company's model paired the highest impacted zones with the solution(s) calculated as providing the most improvement to all-in SAIDI (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 622-623; AG-Common 2-4). The company then prioritized projects based on their cost efficiency as measured by declining all-in SAIDI minutes saved per dollar spent with a project-level optimal threshold based on where the all-in SAIDI minutes saved start to flatline (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 622-626; ES-Policy/Solutions-1, at 49; AG-Common 2-4).[38] The following table summarizes the

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36 All-in SAIDI refers to the calculation of all sustained outages (i.e., outages with duration longer than one minute) at all times, including during major events (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 85).

37 The company identified a "zone" as the part of the circuit located between two isolation/protection devices (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 619).

38 The company explained that, while all projects would reduce all-in SAIDI, a means of assessing the optimal spending for resilience is to draw the line at a spending level where the all-in SAIDI minutes saved compared to cumulative cost starts to flatline (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 625-626; AG-Common 2-4).

resiliency investment portfolio resulting from NSTAR Electric's Phase I ESMP resiliency investment planning process:

NSTAR Electric Phase I ESMP Resiliency Investment Portfolio

Eligible Zone CMI per event	**Resiliency Investment Criticality Tier**	**Estimated Cost (Preliminary $M)**	**Estimated Cost ($M/mile)**	**Estimated All-in SAIDI Improvement**
>300,000	Undergrounding (32 projects)	216.50	4.0	98%
150,000-300,000	Aerial Cable (3 projects)	3.57	2.2	82%
<150,000	If bare wire, reconductoring to tree wire (3 projects)	0.57	1.1	50%
	If insulated wire, resiliency tree work (15 projects)	1.91	0.1	35%

(D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 622-624; ES-Policy/Solutions-1, at 66-67; DPU 6-10; DPU 6-11; DPU-Common 13-2, Att.; AG 8-3, Att.). Further, to prioritize resilience projects and circuits serving or impacting customers in EJ populations, the company identified a third or alternative eligibility criteria for highly-impacted zones (i.e., multiple outage events/large CMI) that could also target circuits serving 85 percent or more customers in EJ populations (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 626; ES-Policy/Solutions-1, at 49; DPU 6-7).

NSTAR Electric explained that while it already considers climate change in the normal course of business while it plans, constructs, and operates its system, the proposed ESMP resiliency investments would be incremental because the investment types and locations would be informed by grid vulnerabilities during major storm events (D.P.U. 24-10, Exhs. ES-Policy/Solutions-1, at 67; DPU-Common 9-1; DPU-Common 9-2; DOER-Common 6-9). In contrast, the company explained that its current reliability investments are driven by asset health and outage data excluding major storm events (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 84-85; DPU-Common 9-1; DPU-Common 9-2; CLC-ES 4-1).

The company commissioned a climate change vulnerability assessment ("CVA") study to identify new areas where climate hazards peak, and to use these locations to target future resiliency work and potential mitigation projects[39] in its territory (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 636-638; ES-Policy/Solutions-1, at 67-68).[40] The company intends to translate the results of the CVA into updates to its distribution planning and equipment design standards (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 607; DOER-Common 6-9). Further, the company indicated that the final step in its resilience planning process is to pair grid vulnerabilities identified through the CVA with optimal resilience projects based on the climate hazards identified (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 606-607, 637). During the

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39 The potential mitigation project types include resiliency project types proposed for recovery through the interim ESMP mechanism, as well as additional measures (see D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 622-624, 638; DPU-Common 13-2, Att.).

40 The study will cover its Massachusetts territory, as well as the territories of its affiliates in New Hampshire and Connecticut (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 628). The company conveyed its intent to publicly share the CVA study in the second quarter of 2025 (D.P.U. 24-10, Exh. DPU-Common 18-2).

pendency of Phase II of these proceedings, the company clarified that it did not plan to directly incorporate CVA data into its identification of resiliency project areas, given that most CVA impacts are not expected for 20 to 30 years (D.P.U. 24-10, Exh. DPU-Common 18-2). At the same time, however, the company noted that it may use CVA data to inform recommended projects and may incorporate benefits to critical facilities in its ranking of projects (D.P.U. 24-10, Exh. DPU-Common 18-2).

b. National Grid

In its ESMP, National Grid did not propose specific resiliency investments incremental to its core, base spending capital investments (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 432; NG-Policy/Solutions-1 (Corrected) at 51-52). The company explained that other investments identified in the ESMP have the secondary benefit of improved resiliency, including grid hardening investments and targeted adaptation investments anticipated to increase the resiliency of the distribution network (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 431; NG-Policy/Solutions-1 (Corrected) at 51-52; DPU-Common 18-2; DOER-Common 6-9). As a result, the company did not propose resiliency investments as eligible investments for recovery through the interim ESMP mechanism (D.P.U. 24-11, Exhs. NG-1, at 24-25; DOER-Common 6-9(a)). Although the company did not propose specific ESMP resiliency investments, National Grid explained that it initiated its own CVA for developing adaptation plans to address climate change-driven risks to its assets (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 444; NG-Policy/Solutions-1 (Corrected) at 51).[41] The company confirmed that the

[41] The company completed its CVA in February 2025 and submitted a copy in D.P.U. 24-11 (D.P.U. 24-11, Exh. DPU-Common 18-2, Att.).

CVA will inform future grid hardening and adaptation investments on its network, and that it is collaborating with NSTAR Electric and Unitil on assessing the cost effectiveness of resiliency projects, aligning on climate data and hazards, and engaging with communities to identify critical facilities (D.P.U. 24-11, Exh. DPU-Common 18-2).

c. Unitil

Unitil proposed recovery through the interim ESMP mechanism of targeted resiliency investments, with an associated budget of approximately $5.0 million (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 253-256; DPU-Common 13-2, Att.; AG 1-5). The types of resiliency investments identified by the company for recovery involve targeted undergrounding, spacer cable installation, and developing or automating circuit ties, incremental to its existing practices (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 253-256; UN-KSCG-1, at 9; DPU 6-4; DPU-Common 13-2, Att.). The company explained that the budget, derived from its recent annual spending on similar reliability-based projects, would support approximately two miles of spacer cable installation, or 700 to 1,800 feet of targeted undergrounding, but may also be used for circuit ties (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 256; UN-KSCG-1, at 9; DPU 1-1, at 9; DOER 5-2(b)).[42]

The company did not identify specific ESMP resiliency investment projects that it planned to pursue (D.P.U. 24-12, Exhs. DPU-Common 18-2; AG-Common 2-4). The company explained, however, that it was developing its approach to identifying and prioritizing resiliency

42 The company currently uses spacer cable where its vegetation management and/or storm resiliency program call for tree trimming but required tree trimming rights are not granted by customers and/or towns (D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 254-255).

investments using five years of historical outage data including major storm events (D.P.U. 24-12, Exhs. DPU-Common 18-2; AG-Common 2-4). The potential resiliency projects would then be ranked against each other based upon two cost-benefit comparisons: (1) cost per saved customer minute; and (2) cost per saved customer interruption (D.P.U. 24-12, Exhs. DPU-Common 18-2; AG-Common 2-4). The company also anticipated considering in its project selection the cost per sustained outage event saved and/or weighing the cost per saved customer interruption higher than cost per customer-minutes saved (D.P.U. 24-12, Exhs. DPU-Common 18-2; AG-Common 2-4). Finally, the company would compare cumulative project costs to the anticipated savings and its associated reliability benefits to determine the cost effectiveness of the projects (D.P.U. 24-12, Exhs. DPU-Common 18-2; AG-Common 2-4).

The company reported that it is in the early stages of designing and implementing an iterative CVA framework to assess the risks associated with climate change and incorporate it and critical facilities into its resiliency planning (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 260; UN-Policy/Solutions-1, at 47; DPU-Common 18-2). The framework involves the following steps: (1) conduct a vulnerability assessment analyzing climate impacts to the region and the company's assets; (2) evaluate and prioritize risk utilizing multiple climate change models; (3) develop and evaluate mitigation options, including determining the impact to EJ populations and low- to moderate-income customers; (4) prioritize implementation of mitigation options; (5) evaluate success; and (6) repeat vulnerability assessment (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 260-261; UN-Policy/Solutions-1, at 47-48; DPU 10-15). The company conducted an initial CVA, including an assessment of two separate climate scenarios and the probability of various climate impacts, such as sea level rise and temperature extremes

(D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 257-260). In response to the CVA findings, the company intends to evaluate potential actions, two of which directly relate to proposed resiliency investments: (1) installing targeted undergrounding in areas where traditional or enhanced vegetation management activities are not successful; and (2) increasing the quantity of circuit ties and implement FLISR schemes to automatically isolate and restore outages (D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 260). The company stated that it did not plan to directly include CVA data in the identification of resiliency project areas at this time but may use the CVA to inform the recommended projects and may incorporate benefits to critical facilities in its ranking of projects (D.P.U. 24-12, Exh. DPU-Common 18-2).

5. Integrated Energy Planning

The Companies each proposed recovery for certain IEP investments through the interim ESMP mechanism, with associated budgets of approximately $13.5 million for NSTAR Electric and $16.1 million for National Grid, incurred beginning January 1, 2025 (D.P.U. 24-10, Exhs. ES-1, at 8-9; ES-ESMP-1 (Corrected) at 649; DPU 1-1 & Att. (a); DPU-Common 13-2, Att.; DPU-Common 13-5; DPU-Common 15-2(b); D.P.U. 24-11, Exhs. NG-1, at 9-10; NG-ESMP-1 (Corrected) at 253, 373; DPU 1-1 & Att. (10); DPU-Common 13-2, Att.; DPU-Common 13-5; DPU-Common 15-2(b); D.P.U. 24-12, Exhs. UN-KSCG-1, at 10; DPU-Common 15-2(b); DPU-Common 15-3(d)).

NSTAR Electric’s budget derived from preliminary cost estimates for software to facilitate coordinated gas and electric planning and incremental labor to conduct IEP activities, and the company planned to refine its estimates based on a pilot that commenced in early 2024 and is jointly conducted by National Grid and Unitil (D.P.U. 24-10, Exhs. ES-ESMP-1

(Corrected) at 649; DPU 1-1; DPU-Common 13-2, Att.). The company also proposed IEP recovery through the ESMP mechanism for implementation costs deriving from the Department's IEP directives in the ESMP Order (D.P.U. 24-10, Exh. DPU-Common 15-3(d)). The company grouped ESMP-specific IEP activities and costs within its Customer Investments and Programs investment category (D.P.U. 24-10, Exhs. DPU 1-1 & Att. (a); DPU-Common 13-2, Att.). For its non-ESMP IEP activities, the company explained that its resources are being used to support a non-gas pipeline framework being developed consistent with D.P.U. 20-80-B in the "future of gas" proceeding and towards a targeted electrification pilot proposal scheduled to be submitted to the Department by March 2026 (D.P.U. 24-10, Exh. DPU-Common 15-2).

National Grid's IEP budget was also derived from preliminary cost estimates for software tools and data to facilitate coordinated gas and electric planning and incremental labor, including new FTEs to conduct IEP activities (D.P.U. 24-11, Exhs. DPU 1-1 & Att. (10); DPU-Common 13-2, Att.). In developing its budget, the company relied, in part, on an early pilot conducted by its New York affiliate (D.P.U. 24-11, Exh. DPU 1-1). Like NSTAR Electric, National Grid also proposed IEP recovery through the mechanism for implementation costs deriving from the Department's IEP directives in the ESMP Order (D.P.U. 24-11, Exh. DPU-Common 15-3 (d)). The company grouped ESMP-related IEP activities within its Network Investments category (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 253, 373; DPU 1-1; DPU-Common 13-2, Att.). The company acknowledged that its IEP activities involve both ESMP and non-ESMP investments, but that such activities are in the early stages of development (D.P.U. 24-11, Exh. DPU-Common 15-3). For its non-ESMP activities, the company explained that its resources are being used to support a non-gas pipeline framework in development consistent with Role of Gas Local Distribution Companies as the Commonwealth Achieves its Target 2050 Climate Goals, D.P.U. 20-80-B (2023) and towards the targeted electrification pilot proposal in Boston Gas Company, Massachusetts Electric Company, and Nantucket Electric Company, D.P.U. 24-194 (D.P.U. 24-11, Exh. DPU-Common 15-3).

Unitil did not identify an associated budget or investment category for IEP but explained that it anticipated including recovery through the mechanism of the labor costs and costs associated with actively progressing IEP activities in accordance with the Department's directives in the ESMP Order (D.P.U. 24-12, Exhs. UN-KSCG-1, at 10; DPU 1-1; DPU-Common 13-2, Att.; DPU-Common 15-3(d)).

6. Community Engagement Stakeholder Advisory Group

The Companies each proposed recovery of certain incremental costs, incurred as of January 1, 2025, associated with the CESAG recently established by the Companies (D.P.U. 24-10, Exhs. ES-1 at 8-9; DPU-Common 15-2(b); DPU-Common 15-3(d); DPU-Common 17-1; D.P.U. 24-11, Exhs. NG-1 at 9-10; DPU-Common 13-5; DPU-Common 15-2(b); DPU-Common 20-1; DPU-Common 20-2; D.P.U. 24-12, Exhs. UN-KSCG-1 at 9-10; UN-ESMP-1 (Corrected) at 27, 135; DPU-Common 15-2(b)). Costs proposed for recovery through the interim ESMP mechanism include implementation costs deriving from the Department's CESAG directives in the ESMP Order and incremental labor, including incremental labor associated with a facilitator[43] engaged by the Companies through a request for proposal process for the CESAG (D.P.U. 24-10, Exhs. DPU-Common 2-6; DPU-Common 15-3(d); DPU-Common 20-2; D.P.U. 24-11, Exhs. DPU-Common 13-5; DPU-Common 15-3(d); DPU-Common 20-2; D.P.U. 24-12, Exhs. DPU-Common 13-2, Att.; DPU-Common 15-3(d)).

The Companies did not identify an estimated budget amount for CESAG costs for recovery through the interim ESMP mechanism. NSTAR Electric explained that it did not anticipate significant costs for the administration of the CESAG and, thus, did not include any amounts in its proposed ESMP term spending cap (D.P.U. 24-10, Exh. DPU-Common 15-3). NSTAR Electric did not identify the investment category to which it would attribute CESAG costs (D.P.U. 24-10, Exh. DPU-Common 17-1). National Grid and Unitil each anticipated inclusion of CESAG costs within its ESMP program administration investment category but did not identify specific CESAG-related cost estimates for the term (D.P.U. 24-11, Exhs. DPU-Common 13-2, Att.; DPU-Common 20-2; D.P.U. 24-12, Exhs. DPU 1-1; DPU-Common 13-2, Att.).

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43 The Companies reported that the costs for the facilitator have been allocated proportionally across the Companies based on each company's Allocation Percentage of distribution load-share (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 20-2).

7. ESMP Program Administration[44]

National Grid and Unitil each proposed recovery through the interim ESMP mechanism for costs attributed to an ESMP program administration investment category, with associated budgets of approximately $20.1 million and $375,000, respectively (D.P.U. 24-11, Exhs. DPU 1-1 & Att. (15); DPU-Common 13-2, Att.; D.P.U. 24-12, Exhs. DPU 1-1; DPU-Common 13-2, Att.). National Grid's program administration budget included estimates and cost breakdowns for ESMP portfolio management, applying for a federal low-interest loan through the DOE's Loan Programs Office, and stakeholder engagement, including incremental labor and new FTEs (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 362; DPU 1-1; DPU-Common 13-2, Att.). Unitil's budget consisted of a cumulative estimate for stakeholder outreach and costs associated with measurement and verification efforts (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 17, 135; DPU 1-1; DPU-Common 13-2, Att.). As discussed above, both National Grid and Unitil included CESAG-related costs within their ESMP program administration cost estimates.

NSTAR Electric did not identify ESMP program administration costs as a separate budget category (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 450-451; DPU 1-1; DPU-Common 13-2, Att.). NSTAR Electric explained that project-specific costs would be charged directly to individual projects and associated work orders, noting that program

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44 The Companies described costs within this category as program administration of incremental ESMP projects (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 451; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 374; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 160, 176).

administration costs would span across multiple ESMP investment categories (D.P.U. 24-10, Exh. DPU-Common 17-1).

C. Tariff Language and Cost Recovery Parameters

1. Overview

As part of their Phase II filings, the Companies each included a jointly-developed model tariff and a company-specific exemplar tariff for the proposed interim ESMP mechanism (D.P.U. 24-10, Exhs. ES-2; ES-3; D.P.U. 24-11, Exhs. NG-2; NG-3; D.P.U. 24-12, Exhs. UN-KSCG-2; UN-KSCG-3). The Companies' Phase II filings and proposed tariffs identified multiple cost recovery parameters that would apply to ESMP investments deemed eligible for recovery through the mechanism by the Department, including timelines for filings, definitions for eligible investments, proposed ESMP term spending and annual revenue requirement caps, documentation to be included with the annual cost recovery filings, etc.

2. Filing and Effective Dates, Revenue Requirements, and Reconciliations

The Companies proposed to file the annual ESMPF cost recovery filings on May 1 each year starting in 2026, with rates effective as of July 1, 2026, based on an ESMP investment year beginning on January 1 and ending on December 31 of the prior calendar year, with the exception of the final investment year ending on June 30, 2030 associated with the end of the ESMP term (D.P.U. 24-10, Exhs. ES-1, at 19; ES-3, at 1, 3, 10; D.P.U. 24-11, Exhs. NG-1, at 21; NG-3, at 1, 3, 9; D.P.U. 24-12, Exhs. UN-KSCG-1, at 20; UN-KSCG-3, at 3, 9). The recovery period defined in the tariff would be the 12-month period during which the ESMPF is in effect beginning on July 1, and the recovery year would be the calendar year in which the ESMPF becomes effective (D.P.U. 24-10, Exh. ES-3, at 4; D.P.U. 24-11, Exh. NG-3, at 4; D.P.U. 24-12, Exh. UN-KSCG-3, at 4). The Companies explained that they selected the proposed filing and effective dates rather than dates later in the year to: (1) ensure more timely cost recovery; (2) more closely align with the March 31 biannual ESMP report filings; (3) receive more timely feedback from the Department on the implementation of investments, thus affording the Companies the opportunity to account for and adjust investment plans in subsequent years based on Department guidance and directives received; and (4) align with the July 1 rate changes from other existing mechanisms (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-10).

The Companies proposed to recover through the mechanism the annual ESMP revenue requirement for eligible ESMP-related plant-in-service costs and allowed/allowable ESMP O&M expenses incurred for each ESMP investment year prior to the recovery year (D.P.U. 24-10, Exhs. ES-1, at 25; ES-3, at 2, 4, 6; D.P.U. 24-11, Exhs. NG-1, at 26; NG-3, at 2-5; D.P.U. 24-12, Exhs. UN-KSCG-1, at 25; UN-KSCG-3, at 3). The ESMP revenue requirement for capital investments would include the sum of: (1) the pre-tax return on rate base, (2) depreciation expense, and (3) property taxes, reduced by any external funding received by the company through the applicable ESMP investment year (D.P.U. 24-10, Exh. ES-3, at 3; D.P.U. 24-11, Exh. NG-3, at 3; D.P.U. 24-12, Exh. UN-KSCG-3, at 3). The Companies otherwise explained that the ESMP revenue requirement would be calculated to recover: (1) the monthly revenue requirement for eligible ESMP capital investments recorded as in service in the ESMP investment year immediately prior to the recovery year; (2) the average annual revenue requirement for the calendar year ending December 31 of the ESMP investment year that is two years or more prior to the recovery year, for cumulative eligible ESMP capital investments;

(3) the annual revenue requirement for the recovery year on eligible ESMP capital investments recorded as in service in the ESMP investment year immediately prior to the recovery year; and (4) allowed ESMP O&M expense (D.P.U. 24-10, Exhs. ES-1, at 25; ES-3, at 3-4; D.P.U. 24-11, Exhs. NG-1, at 26; NG-3, at 3-4; D.P.U. 24-12, Exhs. UN-KSCG-1, at 24; UN-KSCG-3, at 3-4). Once the ESMP revenue requirement for the recovery year is calculated, the Companies proposed to use their respective distribution revenue allocators ("DRAs") as determined during the company's most recent base distribution rate case to calculate the costs to be recovered from each rate class within the company's service territory during the recovery year (D.P.U. 24-10, Exh. ES-3, at 6; D.P.U. 24-11, Exh. NG-3, at 5; D.P.U. 24-12, Exh. UN-KSCG-3, at 6).

The Companies' proposed tariffs also include a reconciliation component calculated from the prior-period recovery through the mechanism (D.P.U. 24-10, Exh. ES-3, at 1, 4, 6; D.P.U. 24-11, Exh. NG-3, at 1, 3, 5; D.P.U. 24-12, Exh. UN-KSCG-3, at 1, 4, 6). For the reconciliation calculations and any deferral balances, NSTAR Electric and Unitil proposed to apply carrying charges using the customer deposit rate, while National Grid proposed to apply carrying charges using its pre-tax rate of return (D.P.U. 24-10, Exhs. ES-3, at 6, 9; DPU-Common 13-8; D.P.U. 24-11, Exhs. NG-3, at 5, 8; DPU-Common 13-8; D.P.U. 24-12, Exhs. UN-KSCG-3, at 8-9; DPU-Common 13-8). The Companies also proposed that the mechanism continue to reconcile costs until all costs are fully recovered or reflected in base distribution rates (D.P.U. 24-10, Exh. ES-1, at 16-17; D.P.U. 24-11, Exh. NG-1, at 18; D.P.U. 24-12, Exh. UN-KSCG-1, at 16-17).

3. ESMP Term Spending and ESMPF Annual Revenue Requirement Caps

The Companies each proposed a two-part cost cap for the mechanism: (1) an ESMP term spending cap; and (2) an annual revenue requirement cap. The Companies proposed company-specific cumulative spending caps of $339.0 million (NSTAR Electric), $2.2 billion (National Grid), and $52.2 million (Unitil), respectively, inclusive of in-service capital investments and incremental O&M expenses, for costs incurred to implement eligible ESMP investments identified for the first ESMP term (D.P.U. 24-10, Exhs. ES-1, at 11, 22; ES-3, at 1, 10; D.P.U. 24-11, Exhs. NG-1, at 12, 24; NG-3, at 1, 8; D.P.U. 24-12, Exhs. UN-KSCG-1, at 13, 26; UN-KSCG-3, at 1, 9). The Companies based the proposed spending caps on Phase I cost estimates developed for proposed ESMP investments (D.P.U. 24-10, Exhs. ES-1, at 11, 27; DPU-Common 13-2; D.P.U. 24-11, Exhs. NG-1, at 12, 28; DPU-Common 13-2; D.P.U. 24-12, Exhs. UN-KSCG-1, at 13, 26; DPU-Common 13-2).

The Companies observed that the ESMPF filing due May 1, 2031 will cover the period January 1, 2030 through December 31, 2030, reflecting the last six months of the first ESMP term and the first six months of the second ESMP term (D.P.U. 24-10, Exh. ES-1, at 20; D.P.U. 24-11, Exh. NG-1, at 22; D.P.U. 24-12, Exh. UN-KSCG-1, at 21). The Companies noted that only the spending incurred between January 1, 2030 through June 30, 2030 would be subject to the first ESMP term spending cap, whereas spending during the final six months of that year would be subject to any subsequent spending cap established for the second ESMP term (D.P.U. 24-10, Exh. ES-1, at 20-21; D.P.U. 24-11, Exh. NG-1, at 22; D.P.U. 24-12, Exh. UN-KSCG-1, at 12). The Companies stated that if recovery of eligible costs from July 1, 2030 through December 31, 2030 is delayed to the May 1, 2032 filing, this would generate an 18-month delay for recovery (D.P.U. 24-10, Exh. ES-1, at 20-21; D.P.U. 24-11, Exh. NG-1, at 22; D.P.U. 24-12, Exh. UN-KSCG-1, at 12).

Additionally, the Companies proposed an annual incremental revenue requirement cap based on 3.0 percent of the company's prior year total annual revenues (total delivery revenues, inclusive of base distribution revenues and revenues generated through reconciling mechanisms, plus supply revenues) (D.P.U. 24-10, Exhs. ES-1, at 11; ES-3, at 9; DPU-Common 14-3; AG-Common 2-5; D.P.U. 24-11, Exhs. NG-1, at 12; NG-3, at 8; DPU-Common 14-3; AG-Common 2-5; D.P.U. 24-12, Exhs. UN-KSCG-1, at 12; UN-KSCG-3, at 8-9; DPU-Common 14-3; AG-Common 2-5). The Companies maintained that this cap would minimize the potential customer bill impacts each year by limiting the permissible revenue requirement subject to recovery, but also acknowledged the potential volatility to such bill impacts due to the potential for widely fluctuating supply costs (D.P.U. 24-10, Exhs. ES-1, at 11; DPU-Common 14-2; D.P.U. 24-11, Exhs. NG-1, at 12; DPU-Common 14-2; D.P.U. 24-12, Exhs. UN-KSCG-1, at 12; DPU-Common 14-2). The Companies based the proposed annual percentage for the cap of 3.0 percent on the cap approved for use in National Grid's Infrastructure, Safety, Reliability, and Electrification ("ISRE") mechanism and the mechanism used by the local gas distribution companies for their Gas System Enhancement Plans (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-6; DPU-Common 14-7). To the extent that eligible spending exceeds the annual revenue requirement cap in an investment year,[45] the Companies proposed to defer recovery for the excess costs with interest to a future year through subsequent ESMPFs within the ESMP term or in base distribution rates at the time of the next distribution rate proceeding, subject to a prudency review (D.P.U. 24-10, Exhs. ES-1, at 11; ES-3, at 9-10; D.P.U. 24-11, Exhs. NG-1, at 12; NG-3, at 8; D.P.U. 24-12, Exhs. UN-KSCG-1, at 13; UN-KSCG-3, at 8-9).

4. Eligible ESMP Investments

In their Phase II filings, the Companies proposed to recover through the interim ESMP mechanism the following categories of investments identified in their initial, Phase I ESMP filings: (1) customer investments; (2) platform investments; (3) network investments; (4) resiliency investments (NSTAR Electric and Unitil only); and (5) ESMP program administration costs (D.P.U. 24-10, Exh. ES-1, at 23-24; D.P.U. 24-11, Exhs. NG-1, at 5; DPU 1-3; D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9; DPU-Common 13-2, Att.).[46] NSTAR

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[45] The Companies defined the ESMP investment year as the annual period beginning on January 1 and ending on December 31 prior to the recovery period, which is the 12-month period during which the ESMPF is in effect beginning on July 1 of the year following the investment year, and ending June 30 of the next year (D.P.U. 24-10, Exh. ES-3, at 4-5; D.P.U. 24-11, Exh. NG-3, at 3, 5; D.P.U. 24-12; Exh. UN-KSCG-3, at 3, 5).

[46] In its initial Phase II filing, Unitil grouped platform investments and customer investments together as "grid modernization investments" and proposed inclusion of costs associated with an extension of its existing EV program (D.P.U. 24-12, Exhs. UN-KSCG-1, at 8-9; DPU-Common 13-2, Att.). The company later removed EV-related program costs from its proposal, stating that the company would instead file an EV program proposal for recovery through a stand-alone EV cost recovery mechanism in accordance with Department directives (D.P.U. 24-12, Exhs. DPU 12-1; AG-Common 3-1, Att. (1)).

Electric noted that it did not propose any network investments as part of its first ESMP term but included network investments as a category eligible for recovery (D.P.U. 24-10, Exh. ES-1, at 24). The Companies explained that they did not request Department preauthorization of ESMP investments, distinguishing between the preauthorization treatment developed during the Department's prior grid modernization proceedings with the statutory requirements outlined in G.L. c. 164, § 92B (D.P.U. 24-10, Exh. ES-1, at 9; D.P.U. 24-11, Exh. NG-1, at 10; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 12-3; DPU-Common 15-1; DOER-Common 1-2). The projects identified by the Companies within each investment category are described in further detail in Section IV.B., above.

The Companies' proposed tariffs define eligible ESMP investments as investments necessary to execute on the company's ESMP, as approved by the Department in Phase I of dockets D.P.U. 24-10, D.P.U. 24-11, or D.P.U. 24-12, to advance the Commonwealth's clean energy and electrification goals, and the associated ESMPF would permit recovery for both capital investments and O&M expenses (D.P.U. 24-10, Exhs. ES-1, at 8, 22-23; ES-3, at 3; D.P.U. 24-11, Exhs. NG-1, at 9, 24; NG-3, at 3; D.P.U. 24-12, Exhs. UN-KSCG-1, at 10, 23-24; UN-KSCG-3, at 3, 20). More specifically, as proposed, the eligible ESMP investments would include those recorded as in service, including net salvage, used and useful by the end of the ESMP investment year that precedes the recovery year, and are: (1) approved by the Department as eligible for cost recovery through the ESMPF; (2) incremental relative to the company's current investment practices or new types of technology for capital investments; (3) incremental to the costs included in base distribution rates for O&M expenses and solely attributable to approved ESMP-related investments;[47,48] (4) prudently incurred; and (5) consistent with the proposed caps (D.P.U. 24-10, Exh. ES-3, at 3, 10; D.P.U. 24-11, Exh. NG-3, at 3, 9; D.P.U. 24-12, Exh. UN-KSCG-3, at 3, 9). The Companies proposed to include carry-over costs within the definition for eligible ESMP investments and defined carry-over costs as generally those attributable to billing or accounting lags, project closeout activities, and work order/ invoicing closeouts incurred in the years after projects are placed in service (D.P.U. 24-10, Exh. ES-3, at 2-3; D.P.U. 24-11, Exh. NG-3, at 2-3; D.P.U. 24-12, Exh. UN-KSCG-3, at 2-3).

The Companies defined allowed/allowable ESMP O&M expenses within the proposed tariffs as: (1) incremental to the O&M expenses included in the company's base distribution rates; (2) directly related to implementation and deployment of ESMP activities, as approved by the Department; and (3) not recovered through another cost recovery mechanism (D.P.U. 24-10, Exh. ES-3, at 2, 7; D.P.U. 24-11, Exh. NG-3, at 2, 5; D.P.U. 24-12, Exh. UN-KSCG-3, at 2, 6). These costs may include internal labor, new hires, and internal transfers, but would exclude pension and post-retirement benefits other than pension costs attributed to these employees (D.P.U. 24-10, Exh. ES-3, at 2, 7-9; D.P.U. 24-11, Exh. NG-3, at 2, 5-7; D.P.U. 24-12,

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47 Allowable ESMP O&M is defined in the proposed tariffs as the incremental O&M expense that is incurred by the Companies in association with the implementation and deployment of ESMP, not being recovered in base distribution rates or through another cost recovery mechanism. Eligible O&M costs are the actual monthly ESMP-related O&M expenses incurred in the ESMP investment year prior to the recovery year. Allowable ESMP O&M expense is subject to the requirements of section 5.0 of the proposed tariff and exclude pension and post-retirement benefits other than pension costs recovered through any other rate mechanism (D.P.U. 24-10, Exh. ES-3, at 2; D.P.U. 24-11, Exh. NG-3, at 2; D.P.U. 24-12, Exh. UN-KSCG-3, at 2)

48 The Department interprets this description to describe the same items included in the allowable ESMP O&M expenses.

Exh. UN-KSCG-3, at 2, 6-8). Additionally, the Companies requested permission to recover allowed ESMP O&M expenses incurred as of January 1, 2025, before the start of the first ESMP term (D.P.U. 24-10, Exhs. ES-1, at 8, 20; ES-3, at 1, 7; D.P.U. 24-11, Exhs. NG-1, at 21-22; NG-3, at 1, 6; D.P.U. 24-12, Exhs. UN-KSCG-1, at 20-21; UN-KSCG-3, at 6-7). The Companies explained that to advance efforts such as IEP and CESAG activities as directed by the Department in the ESMP Order, and to mobilize for ESMP investment deployment and minimize plan delivery delays, the Companies may incur O&M expenses related to incremental labor needed to support ESMP investments beginning January 1, 2025 (D.P.U. 24-10, Exh. ES-1, at 20; D.P.U. 24-11, Exhs. NG-1, at 21-22; D.P.U. 24-12, Exh. UN-KSCG-1, at 20-21). During discovery, however, National Grid and Unitil stated an intent to seek recovery through the proposed mechanism of certain ESMP costs incurred prior to January 1, 2025 once the projects are placed in-service (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-5; DPU-Common 15-2 (b)).

Additionally, the Companies proposed to include for recovery through the mechanism cross-over investments, which the Companies defined as costs incurred for the initiation of ESMP investments with a planned in-service date beyond the five-year ESMP term (in this instance, beyond June 30, 2030) and the final partial ESMP investment year for the term (D.P.U. 24-10, Exh. ES-3, at 2; D.P.U. 24-11, Exh. NG-3, at 2; D.P.U. 24-12, Exh. UN-KSCG-3, at 2-3). The Companies explained that permitting recovery of cross-over costs is necessary due to the need to begin expending resources over multiple years during the first ESMP term on planning, siting, permitting, and construction processes associated with certain ESMP investments that may not be in service until a subsequent ESMP term (D.P.U. 24-10, Exh. ES-1, at 10; D.P.U. 24-11, Exh. NG-1, at 11; D.P.U. 24-12, Exh. UN-KSCG-1 at 11). The Companies also observed that, unlike their grid modernization plans, the ESMPs are not preauthorized and each company's investment portfolios will be reviewed and reprioritized annually against annual forecasts inclusive of customer adoption rates for technologies and DER applications (D.P.U. 24-10, Exh. ES-1, at 9-10; D.P.U. 24-11, Exh. NG-1, at 10-11; D.P.U. 24-12, Exh. UN-KSCG-1, at 11). The Companies stated that they will include a description of cross-over investments in future ESMP filings and identify projected in-service dates so the timelines of these projects are clear to the Department and stakeholders (D.P.U. 24-10, Exh. ES-1, at 10; D.P.U. 24-11, Exh. NG-1, at 11; D.P.U. 24-12, Exh. UN-KSCG-1, at 10).

5. Documentation and Accounting

The Companies proposed that the following documentation be included in their annual interim ESMP mechanism cost recovery filings: (1) full project documentation of all eligible ESMP investments, including capital investments recorded as in service during the prior ESMP investment year and allowable O&M expense, with a narrative providing justification that the costs are eligible for cost recovery; (2) supporting documentation demonstrating that costs are incremental, prudently incurred, and where applicable, in service, and used and useful; (3) any cost variances in relation to the budget estimates for that investment year and as defined in the company's capital authorization policies; (4) a demonstration that the ESMP mechanism adjustment does not exceed the cap on eligible ESMP investments and allowable ESMP O&M expense; (5) details on alternative funding sources obtained for the investments and the associated offset for such funding; (6) a summary of cumulative planned ESMP investments and estimated costs for the subsequent ESMP investment year as well as anticipated revisions to and reprioritization of proposed ESMP investments; (7) a discussion of alternative investments considered, including but not limited to NWAs; (8) the ESMP reconciliation; (9) a demonstration that the proposed ESMPF is calculated appropriately; and (10) ESMPF-specific bill impacts (D.P.U. 24-10, Exhs. ES-1, at 13-14; ES-2, at 8-9; ES-3, at 10-11; D.P.U. 24-11, Exhs. NG-1, at 14; NG-2, at 8-9; NG-3, at 9; D.P.U. 24-12, Exhs. UN-KSCG-1, at 13-14; UN-KSCG-2, at 8-9; UN-KSCG-3, at 9-10). National Grid also proposed to include documentation on consolidated bill impacts for its EV program factors effective on the same date (D.P.U. 24-11, Exh. NG-3, at 10). The Companies incorporated these proposals into a model ESMP mechanism tariff jointly developed by the Companies, as well as company-specific model tariffs (D.P.U. 24-10, Exhs. ES-2, at 8-9; ES-3, at 10-11; D.P.U. 24-11, Exhs. NG-2, at 8-9; NG-3, at 9; D.P.U. 24-12, Exhs. UN-KSCG-2, at 8-9; UN-KSCG-3, at 9-10).

With regard to alternative investments considered, the Companies explained that they would modify and reprioritize ESMP projects during the term based on updated information, such as an emerging need, stakeholder input, or advances in technologies, including NWAs, and that their proposed tariffs define "Eligible ESMP Investments" in a manner to permit recovery of potential alternatives such as NWAs (D.P.U. 24-10, Exh. ES-1, at 15; D.P.U. 24-11, Exh. NG-1, at 15-16; D.P.U. 24-12, Exh. UN-KSCG-1, at 15). Each company proposed to include in its ESMP cost-recovery filings documentation that demonstrates that the company reasonably considered potential alternative, lower cost investments as part of its decision-making process (D.P.U. 24-10, Exh. ES-1, at 15-16; D.P.U. 24-11, Exh. NG-1, at 15-17; D.P.U. 24-12, Exh. UN-KSCG-1, at 15-16).

Additionally, the exemplar and model interim ESMP mechanism tariffs include language identifying the filing dates for ESMP reports to be filed twice each year, separate from the annual cost recovery filings (D.P.U. 24-10, Exhs. ES-1, at 14; ES-2, at 9; ES-3, at 12; DPU-Common 13-10; D.P.U. 24-11, Exhs. NG-1, at 15; NG-2, at 9; NG-3, at 10; DPU-Common 13-10; D.P.U. 24-12, Exhs. UN-KSCG-1, at 14; UN-KSCG-2, at 9; UN-KSCG-3, at 10; DPU-Common 13-10). The Companies explained that the biannual reports would include: (1) information on the progress on eligible ESMP investments, including results of any performance metrics; (2) identification of changes and reprioritization of proposed ESMP investments; (3) a comparison of forecasted demand and actual demand; (4) summaries of outside funding sources; and (5) additional reporting requirements described in the ESMP Order (D.P.U. 24-10, Exh. ES-1, at 14; D.P.U. 24-11, Exh. NG-1, at 15; D.P.U. 24-12, Exh. UN-KSCG-1, at 14).

Finally, to ensure no duplicate work or cost recovery occurs for ESMP investments recovered through the mechanism, the Companies each explained that they would establish dedicated lines of business in their existing accounting systems or specific authorizations with associated work orders to track ESMP capital projects and any O&M expenses, as applicable (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 12-2; DPU-Common 20-3; Tr. 8, at 1133).

6. Additional Considerations

Finally, in their Phase II filings, the Companies addressed additional considerations identified by the Department in its ESMP Order and Phase II Procedural Notice. With regard to a planned sunset of the mechanism, the Companies explained that they proposed recovery of first term ESMP costs at this time, inclusive of cross-over investments, but anticipate needing continued use of such a mechanism to the extent that the Commonwealth's clean energy goals require the Companies to undertake incremental ESMP investments above core capital expenditures (D.P.U. 24-10, Exh. ES-1, at 9, 17-19; D.P.U. 24-11, Exh. NG-1, at 10, 18-20; D.P.U. 24-12, Exh. UN-KSCG-1, at 11, 17-18). For frequency of prudency reviews, the Companies proposed an annual review by the Department rather than an end-of-term review, to enable the Department to provide timely feedback on investments and more regulatory certainty to pursue investments (D.P.U. 24-10, Exh. ES-1, at 19; D.P.U. 24-11, Exh. NG-1, at 21; D.P.U. 24-12, Exh. UN-KSCG-1, at 20). For stranded costs, the Companies explained that any ESMP investments should be reviewed as to whether they were reasonable and prudent based on the information known by the company at the time of investment and whether the investment was consistent with the approved ESMP (D.P.U. 24-10, Exh. ES-1, at 21-22; D.P.U. 24-11, Exh. NG-1, at 22-23; D.P.U. 24-12, Exh. UN-KSCG-1, at 22).

V. POSITIONS OF THE PARTIES

A. Attorney General

1. General

The Attorney General observes that the Companies' ESMPF proposals come at a time when ratepayers are facing unprecedented rate pressures, many of them stemming from utility investments directed at facilitating the clean energy transition (Attorney General Brief at 2, citing ESMP Order at 59-60; 2025-2027 Three-Year Energy Efficiency Plans, D.P.U. 24-140 through D.P.U. 24-149, at 208-209 (February 28, 2025) ("2025-2027 Three-Year Plans"). The Attorney General states that these rate increases threaten to suppress consumer adoption of the electrification technologies that are central to the achievement of these same goals (Attorney General Brief at 2, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 7-8; D.P.U. 23-150, at 55). The Attorney General maintains that she equally supports the Commonwealth's decarbonization efforts and initiatives to moderate rate increases faced by Massachusetts' ratepayers (Attorney General Brief at 2-3). The Attorney General avers that establishing a cost recovery mechanism diminishes the investment discipline and cost controls imposed by traditional regulatory lag (Attorney General Brief at 14, 26). The Attorney General contends that this reduction of spending controls is compounded by the very nature of each ESMP, asserting that the Companies have acknowledged that ESMP spending cannot be justified under traditional tenets of reasonableness and prudence, and where such investments would not be made if not for the directives in G.L. c. 164, § 92B (Attorney General Brief at 14, 26, 47, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 39; DPU-Common 18-1, at 3; ESMP Order at 442). The Attorney General asserts that her recommendations, as discussed below, offer a viable path towards achieving the goals outlined in the ESMP statute while also moderating associated rate increases (Attorney General Brief at 3). In response to the Companies' argument that reconciling mechanisms are typically used to support programs outside their control and ESMP investments fall within this category, the Attorney General maintains that ESMP investments are pre-planned based on a timeline chosen to pursue statutory directives and, thus, cannot be described as volatile or outside the Companies' control (Attorney General Reply Brief at 1-2, citing Companies' Joint Brief at 4).

2. Eligible ESMP Investments

The Attorney General contends that the Department should exclude substation and distribution feeder investments from costs eligible for recovery through the ESMPF (Attorney General Brief at 5-23). Specifically, the Attorney General argues that: (1) the Department has indicated this category of investments should not be recovered through the ESMPF, pointing to the Department's findings in the ESMP Order at 269-270, and additional instruction provided in the Phase II Procedural Notice at 1, 3; (2) National Grid and Unitil have existing cost recovery mechanisms that allow for the planning and recovery of load-driven network investments; (3) National Grid and Unitil failed to demonstrate the necessity of recovering these investments through the ESMPF; (4) the ESMP statute does not contemplate recovery of these investments through an accelerated cost recovery mechanism; and (5) if the Department determines that these investments require cost recovery outside of existing base distribution rate mechanisms, these investments should alternatively be included in the LTSPP and any mechanism associated with the LTSPP (Attorney General Brief at 5-6, 9-23; Attorney General Reply Brief at 3). The Attorney General explains that the ESMP substation and distribution feeder investments comprise the most significant category of costs, approximately $1.6 billion for National Grid (73 percent of its total proposed budget) and $42.6 million for Unitil (82 percent of its total proposed budget), proposed to be recovered through the ESMPF above and beyond their core capital spending during the term (Attorney General Brief at 6, 10, citing D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 358, 362; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 160, 166; AG-Common 3-1 & Att. (1)). As such, the Attorney General avers that the most effective way to ensure ESMP cost control is to exclude this entire category of costs from the

ESMPF (Attorney General Brief at 6, 10, 14-15 citing D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 358, 362; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 160, 166).

The Attorney General asserts that while the driving purpose of the substation and distribution feeder investments is to accommodate electrification load growth based on the Commonwealth's CECP electrification scenario adoption targets scaled out to 2050, National Grid and Unitil maintain that these capacity additions are also sized to accommodate the Commonwealth's DER adoption targets (Attorney General Brief at 6-8, citing D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 21, 251, 291-293, 301-302, 313, 318, 324, 330, 336, 364-365; NG-Policy/Solutions-1 (Corrected) at 21-22, 60, 69-71, 96, 114; DOER-Common 6-4; DOER-Common 6-9; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 136-138, 140-142, 157-158, 167, 174-175; UN-Policy/Solutions-1 (Corrected) at 66, 83-84; DOER-Common 6-9, at 2-3). For National Grid, the Attorney General states that, despite the size and scale of these proposed investments, the company did not provide any evidence of specific customer electrification requests or plans that necessitate the addition of the estimated load-serving capacity (Attorney General Brief at 8, citing D.P.U. 24-11, Exhs. DPU-Common 19-10, at 1-2; AG-Common 2-3, at 1). For Unitil, the Attorney General contends that the need-by date identified by the company for its projects was driven by known spot loads on its system, but that the scale of the proposed projects were larger than necessary to meet any near-term or known customer needs (Attorney General Brief at 8, citing D.P.U. 24-12, Exh. DPU-10-2). Further, the Attorney General observes that both companies acknowledged that they could still make these substation and distribution feeder investments to accommodate actual load, although at a slower pace than proposed through the ESMP (Attorney General Brief at 14, citing D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU-Common 19-10, at 1-2).

The Attorney General asserts that the performance based ratemaking ("PBR") mechanisms and incremental capital cost recovery mechanisms approved by the Department in each company's most recent base distribution rate proceedings allow the two companies to make load-serving investments as well as investments to meet the Commonwealth' electrification and other climate targets (Attorney General Brief at 11-12, citing D.P.U. 23-150, at 44, 81; Fitchburg Gas and Electric Light Company, D.P.U. 23-80/D.P.U. 23-81, at 37, 533 (June 28, 2024)). For National Grid, the Attorney General contends that the company's PBR-O mechanism, when paired with its ISRE mechanism, would allow it the resources and flexibility to undertake substantial capital investments over the next five-year period to satisfy the Commonwealth's clean energy and electrification public policy goals, as well as maintain safe and reliable service (Attorney General Brief at 12-13, citing ESMP Order at 97, 194; D.P.U. 23-150, at 57, 79, 81). Similarly, the Attorney General maintains that Unitil's approved PBR plan and K-bar mechanism[49] are designed to allow the company to navigate and meet the Commonwealth's clean energy transition and associated goals in an efficient and cost-effective manner (Attorney General Brief at 12, citing D.P.U. 23-80/D.P.U. 23-81, at 34-35, 43-44). The Attorney General maintains that these base rate mechanisms retain important ratepayer protections and regulatory lag while allowing for capital spending (Attorney General Brief at 13-14).

[49] The K-bar mechanism allows additional revenues to be collected by the PBR mechanism to provide funding for capital investments. D.P.U. 23-80/D.P.U. 23-81, at 43.

Furthermore, the Attorney General contends that NSTAR Electric's proposal in its first ESMP term mirrors what the Attorney General proposes for National Grid and Unitil (Attorney General Brief at 14). Specifically, the Attorney General contends that NSTAR Electric's core capital investments over the first ESMP term amount to a similar scale to National Grid's, yet NSTAR Electric did not propose ESMP substation and distribution feeder investment for its first ESMP term; rather, NSTAR Electric maintained that it did not need the accelerated ESMPF mechanism to make necessary investments to meet all step load growth, and EV load and trend growth (Attorney General Brief at 15, citing ESMP Order at 17, 21; D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 433; AG-Common 3-1 & Att.; AG 8-2).

The Attorney General also contends that National Grid and Unitil did not demonstrate negative consequences if the Department excludes the substation and distribution feeder network investments from the ESMPF (Attorney General Brief at 16-17). The Attorney General maintains that the proposed ESMP investments are not related to accommodating customer load requests (Attorney General Brief at 18, citing D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-Common 2-3, at 1). Further, the Attorney General asserts that National Grid and Unitil did not provide evidence to support their statement that pursuing substation and distribution feeder investments through core cost-recovery mechanisms would lead to inefficient investment and that the two companies stated that these investments could still be undertaken as core investments in the normal course of business (Attorney General Brief at 19, citing D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 19-10, at 2).

Finally, with regard to substation and distribution feeder investments, the Attorney General maintains that the ESMP statute does not require the Companies to recover such load-driven investments through an annual reconciling mechanism (Attorney General Brief at 20). The Attorney General asserts that the Department should dismiss National Grid and Unitil's suggestion that the ESMP statute mandates an accelerated cost-recovery mechanism that allows for the proposed proactive network investments outside of their core cost-recovery mechanisms, or the Companies' statements that the ESMP investments are volatile and outside their control (Attorney General Brief at 20, citing D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-Common 2-1; DPU-Common 18-1; DPU-Common 19-10; Attorney General Reply Brief at 1-2). The Attorney General argues that the statutory language allows the Department to make clear that the substation and distribution feeder investments should proceed pursuant to currently existing or alternative cost recovery mechanisms (Attorney General Brief at 21). To the extent the Department decides that the ESMP substation and distribution feeder investments merit a new cost recovery mechanism, the Attorney General urges the Department to direct the Companies to include these investments as part of the LTSPP (Attorney General Brief at 21-23; Attorney General Reply Brief at 3).

3. Risk-Informed Cost-Benefit Analysis

For resiliency investments (and for network substation and distribution feeder investments if allowed for recovery through the interim ESMP mechanism), the Attorney General argues that the Department should require the Companies to conduct project-level cost-benefit/cost-effectiveness analyses and present the results of those analyses as part of the prudence review documents to be included in the annual cost recovery filings (Attorney General Brief at 3, 30-37 & n.12). The Attorney General observes the Department's expectation that the Companies would deploy targeted resiliency investments in a cost-effective manner building on their CVAs, and that analyzing cost-effectiveness as part of targeted resiliency planning would assist each company in identifying optimal targeted resiliency investments and prioritizing least-cost investment solutions (Attorney General Brief at 31-32, citing ESMP Order at 258, 261). The Attorney General also points to recent legislative changes to G.L. c. 164, § 92B(c) as evincing a concern by the General Court that climate change resiliency investments be made in a cost-effective manner by requiring the identification, prioritization, and a cost-benefit analysis of resiliency adaptation options (Attorney General Brief at 30-31, citing An Act Promoting A Clean Energy Grid, Advancing Equity, and Protecting Ratepayers, St. 2024, c. 239 ("2024 Climate Act"), § 78.

The Attorney General maintains that the Companies have not demonstrated the cost-effectiveness of ESMP resiliency projects for purposes of cost recovery, and that the Department's approval of the ESMPs' portfolio-level net benefits calculations should not be confused with cost-effectiveness requirements (Attorney General Brief at 32, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 18-1, at 1). The Attorney General argues that, in finding that the Companies' net benefits analyses satisfied the requirements of G.L. c. 164, § 92B(d), in the context of strategic plans, the Department: (1) specifically observed that the net benefits values may change significantly over time; (2) instructed that the approval of the net benefits analyses "should not be relied on in any future filings seeking pre-approval of investments or budgets relating to these investments or for subsequent prudency review[;]" and (3) noted that the Companies' proposals for particular investments would be subject to further analysis and review for purposes of cost recovery (Attorney General Brief at 32, citing ESMP Order at 431).

The Attorney General urges the Department to require the Companies to adopt a risk-informed cost-benefit analysis for resiliency investments during the project implementation stage to establish the cost effectiveness of those investments (Attorney General Brief at 33, 35, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 29-38). The Attorney General maintains that NSTAR Electric and Unitil already employ a comparable method in that they consider cost-efficiency at the project level (Attorney General Brief at 33, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 18-1; Tr. 8, at 1113-1127). The Attorney General argues that cost-efficiency differs from cost effectiveness, however, in that a cost-efficiency analysis determines the lowest-cost means of achieving a given outcome whereas a cost-effectiveness analysis (through a cost-benefit analysis) determines whether a project will deliver benefits in excess of the costs (Attorney General Brief at 33, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 35-36; ESMP Order at 257).

Further, the Attorney General argues that, contrary to NSTAR Electric's and Unitil's suggestion that a cost-effectiveness analysis cannot be performed at the project level, the Companies already assess individual projects at the local level to determine the most cost-effective method of delivering planned SAIDI (for NSTAR Electric) or CMI (for Unitil) reductions (Attorney General Brief at 33-35, citing Tr. 8, at 1114-1117, 1124-1127; D.P.U. 24-10, Exhs. ES-Net Benefits-3, at 29-30, 39; DPU-Common 18-1; D.P.U. 24-12, Exhs. UN-Net Benefits-3, at 28-29, 43; DPU-Common 18-1). As such, the Attorney General proposes that the Companies, in the near term, generally utilize the same methodology to conduct project level, pre-screening cost-benefit analyses for resiliency investments, with a project's expected costs compared to an approximation of a project's benefits based on an estimated dollar value of SAIDI or CMI reductions plus avoided storm costs (Attorney General Brief at 35, 36, citing D.P.U. 24-10, Exh. ES-Net Benefits-3, at 29-30, 39; D.P.U. 24-12, Exh. UN-Net Benefits-3, at 28-29, 43). The Attorney General urges that, if the Companies' storm cost and SAIDI reduction models are not risk-informed, then the Companies should be required to employ the Attorney General's proposed risk-informed cost-benefit analysis (Attorney General Brief at 36, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs, AG-WG-1, at 29-38). The Attorney General also states that any difficulty asserted by the Companies in quantifying benefits at a more granular level than the portfolio level may be mitigated by the CVAs, to the extent that local-level benefits are considered, as could the development of more localized storm cost analyses (Attorney General Brief at 34).

4. Additional Mechanism Parameters

The Attorney General asserts that the ESMPF should have an annual cap limited to 3.0 percent of base distribution revenues, rather than a 3.0 percent total revenues cap as proposed by the Companies (Attorney General Brief at 38, citing Phase II Procedural Notice at 3-4; D.P.U. 24-10, Exhs. ES-1, at 11; ES-2, at 7; ES-3, at 9; D.P.U. 24-11, Exh. NG-3, at 8; D.P.U. 24-12, Exh. UN-KSCG-3, at 9). The Attorney General maintains that a total revenues cap would subject ratepayers to significant volatility and violate the principle of rate continuity, since the Companies' total revenues and ESMP spending are likely to increase significantly during the ESMP term due, in part, to factors outside the Department's control (Attorney General Brief at 38-39, citing D.P.U. 23-150, at 74; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 23-24). The Attorney General explains that an ESMPF cap based on revenues from transmission, EE reconciliation, and supply costs will expose ratepayers to such volatility (Attorney General Brief at 38-39, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 23-24; DPU-AGO 2-2). According to the Attorney General, continuity as a ratemaking principle is best served by a predictable ESMPF based on factors within the Department's control, which the Companies concede "results in a relatively stable year by year platform of a revenue cap" (Attorney General Brief at 41, citing D.P.U. 23-150, at 74; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 14-2(a)).

Further, in support of a base distribution revenue requirement cap, the Attorney General argues that the Companies' proposal allows for too much spending to effectively contain ESMP costs, thus impeding the statutory priority of affordability (Attorney General Brief at 40, citing G.L. c. 25, § 1A; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 23). The Attorney General observes that, as projected by the Companies, 3.0 percent of total revenues over the ESMP term would cumulatively constitute approximately $1.56 billion for NSTAR Electric, $753.0 million for National Grid, and $19.7 million for Unitil (Attorney General Brief at 40, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 23; DPU-Common 13-7). The Attorney General contends that the Companies' proposal would allow yearly revenue requirement increases under the ESMPF comparable to the electric EE program budget from 2025 through 2027, which the Department identified as "not sustainable" for residential customers (Attorney General Brief at 41, citing 2025-2027 Three-Year Plans at 203-204).

As another cost containment measure, the Attorney General recommends that the Department deny recovery of carrying charges for any deferred costs (Attorney General Brief at 42). Specifically, the Attorney General maintains that, when coupled with ESMP spending and annual change caps, disallowing the recovery of carrying charges for any deferred spending would work to disincentivize excess spending (Attorney General Brief at 42-43). The Attorney General also recommends that all other carrying charges applicable to ESMP reconciliation balances be calculated at the customer deposit rate, as proposed by NSTAR Electric and Unitil (Attorney General Brief at 43, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 25; D.P.U. 24-10, Exhs. ES-3; DPU-Common 13-8; D.P.U. 24-12, Exhs. UN-KSCG-3; DPU-Common 13-8). For National Grid, the Attorney General urges the Department to reject the company's proposal to apply a pre-tax rate of return ("PTRR") on reconciliation balances, arguing that it would allow National Grid to earn a profit on spending over the ESMPF cap when such a mechanism already minimizes the delay between when costs are incurred versus then they are recovered (Attorney General Brief at 43-44, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 25-26; D.P.U. 24-11, Exh. DPU-Common 13-8). The Attorney General suggests that National Grid's PTRR proposal indicates that the company plans to repeatedly exceed the spending cap, rendering the cap ineffective (Attorney General Brief at 44-45, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 25-26; D.P.U. 24-11, Exhs. NG-3; DPU-Common 13-8).

The Attorney General further recommends that the Department should approve the ESMPF for only the first ESMP term as a temporary measure and otherwise transition ESMP spending to base rates at each company's next base distribution rate proceeding (Attorney General Brief at 46). The Attorney General asserts that, given each company will be due for a rate case or PBR extension before the end of the first ESMP term on June 30, 2030, it would present an opportunity to transition all prudently incurred ESMP spending into base distribution rates and retire the ESMPF before the second ESMP term (Attorney General Brief at 46, citing D.P.U. 23-150, at 81; D.P.U. 23-80/D.P.U. 23-81, at 37, 533; NSTAR Electric Company, D.P.U. 22-22, at 54-54, 549 (2022)). The Attorney General explains that the regulatory lag inherent in conventional ratemaking creates incentives to control costs and invest wisely and would provide greater protection to ratepayers rather than continuation of the ESMPF (Attorney General Brief at 47, citing ESMP Order at 442). The Attorney General also maintains that the Department should investigate innovative approaches to cost recovery through base distribution rates in time for its results to be incorporated into the Companies' next base rate cases (Attorney General Brief at 47, citing ESMP Order at 442-444; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 39-40).

The Attorney General raises additional arguments over the appropriate prudence review standards to apply to the annual cost recovery filings for ESMP investments (Attorney General Brief at 21-29). Specifically, the Attorney General contends that the ESMP investments must be used and useful to permit annual cost recovery, not just implemented well (Attorney General Brief at 26). The Attorney General argues that the investments proposed by the Companies are of uncertain value or use to the current power system, and that the CECP GHG reduction and electrification targets are not forecasts of reasonably expected occurrences (Attorney General Brief at 27, 28 & n.116, citing D.P.U. 20-80-B at 21 n.13). The Attorney General further asserts that the Massachusetts 2050 Decarbonization Roadmap ("2050 Decarbonization Roadmap") on which the Massachusetts Clean Energy and Climate Plan for 2025 and 2030 (June 30, 2022) ("2025/2030 CECP") is based is also not reliant on forecasts, but rather incorporates assumption-driven models of 2050 emission compliance that "back-cast" a range of technically and economically feasible pathways "to gain insight into low carbon system dynamics and cross-sector interdependencies" and "focuses on describing the necessary technological transformations, rather than attempting to predict [forecast] the outcome of explicit policies" (Attorney General Brief at 27, citing 2050 Decarbonization Roadmap at 11, 13). As such, the Attorney General maintains that the Department cannot focus its prudence review based on the assumed technology adoption timeframes of the 2050 Decarbonization Roadmap (Attorney General Brief at 28).

Instead, the Attorney General asserts that the Companies must establish during prudency reviews that the investments are actually used and useful within the 2025-2030 ESMP timeframe because plant that is neither used nor useful to nor benefitting ratepayers cannot be recovered in rates (Attorney General Brief at 28-29, citing Fitchburg Gas and Electric Light Company, 375 Mass. 571, 576-579 (1978)). In addition, the Attorney General argues that the Department would not be precluded from withdrawing any allowed ESMP cost recovery based on a subsequent determination that investments are not used and useful or otherwise do not confer net benefits on ratepayers (Attorney General Brief at 28-29, citing Fitchburg Gas and Electric Light Company, 440 Mass. 625 (2004); Boston Gas Company, D.P.U. 22-93-A at 11 (2023)).

B. DOER

DOER avers that the Companies' ESMPs are critical strategic plans to enable the Commonwealth's progress towards decarbonization (DOER Brief at 3). DOER states that it supports investments in the grid to implement the strategic plans but that it is concerned that certain ESMP investments may include unnecessary spending that will harm ratepayers due to a lack of comprehensive planning (DOER Brief at 4, 18). DOER raises affordability concerns and points to the estimated annual bill impacts to be experienced by ratepayers over the ESMP term if the Department approves the Companies' cost recovery proposals as submitted (DOER Brief at 4-5, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 16-2, Att.). As a result, DOER contends that major network investments, namely substation and distribution feeder investments identified by National Grid and Unitil in their ESMPs, should not be eligible for recovery under the interim ESMP mechanism (DOER Brief at 13-26, 38; DOER Reply Brief at 2). DOER urges that these major network investments should instead be included for consideration and recovery in the LTSPP (DOER Brief at 14, 22-26). DOER also observes that the Department instructed that substation and distribution feeder network investments should be accounted for in the LTSPP due to the extraordinary cost and scale of these investments (DOER Brief at 14-15, citing ESMP Order at 270; Phase II Procedural Notice at 3 n.2).[50]

DOER emphasizes that separating planning and cost recovery for investments driven by load-serving versus DER-driven requirements could present a risk to ratepayers and increases the risk of spending on redundant or overbuilt network infrastructure (DOER Brief at 14, 16-17). DOER contends that the Companies failed to demonstrate that they have considered or mitigated the risk of ratepayers paying for upgrades that could have been avoided following a more comprehensive planning process (DOER Brief at 19). Moreover, DOER asserts that separating load and DG planning processes contradicts Department directives and statutory requirements under G.L. c. 164, § 92B relating to a new integrated and comprehensive approach for planning

50 DOER explains that while NSTAR did not propose any network investments, it did receive Department approval for the K-bar mechanism, which provides capital investment support between rate cases (DOER Brief at 15).

standards (DOER Brief at 17-18, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Interlocutory Order on Scope at 12-13 (February 20, 2024) ("Interlocutory Order on Scope"); D.P.U. 22-22, at 125).

DOER maintains that the siloed approach to system planning that the Companies' proposals represent has already caused inefficient spending, noting $206 million in load-driven ESMP upgrades identified by National Grid in four regions that previously received $216 million in upgrades driven by DERs (DOER Brief 18, citing D.P.U. 24-11, Exh. DPU-Common 13-3; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-12/D.P.U. 23-09/ D.P.U. 23-06/D.P.U. 22-170, Exhs. NG-4). DOER also expresses concern regarding the overlap of National Grid's proposed substation and feeder investments and previously approved Capital Investment Projects ("CIPs") (DOER Brief at 18-19; DOER Reply Brief at 4, citing D.P.U. 24-11, Exhs. DOER 7-1 through DOER 7-5). Additionally, DOER requests that the Department carefully evaluate the Monson-Palmer Longmeadow Northwest ("MPL-NW") CIP investment proposals that National Grid filed on April 14, 2025, because DOER's review of the CIP proposal identified several overlaps with National Grid's proposed ESMP investments (DOER Reply Brief at 5). For example, DOER states that the MPL-NW CIP proposal identified new feeders to the Thorndike and Five Corners substations, which would cost $13.43 million and includes $7.09 million allocated to distribution customers, and these CIP-related costs overlap with $41.09 million of proposed feeder expansion investments at the same substations in the ESMP (DOER Reply Brief at 5, citing D.P.U. 24-11, Exh. DPU-Common 13-2, Att.; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 25-31, Exhs. NG-1, at 15; NG-13).

DOER suggests that siloed planning and cost recovery de-incentivizes disciplined capital spending and may create an environment where the utilities either shift costs that could have been shared between interconnecting DERs and distribution customers to ratepayers alone or evade cost protections in their PBR plans by reclassifying core investments as incremental ESMP investments (DOER Brief at 20). DOER notes that, for Unitil to include the full cost of its substation projects in the ESMPF, a typical residential ratepayer using 565 kilowatt-hours ("kWh") per month would experience a bill increase of $147.62 per year by the end of the first ESMP term (DOER Brief at 20, citing D.P.U. 24-12, Exhs. DPU-Common 16-2, Att. (1); DPU-Common 19-9, Att. (1)), and National Grid's and Unitil's proposed network investments would be responsible for the majority of ESMP bill impacts (DOER Brief at 21). DOER argues that including these investments for recovery under the ESMPF is against the best interests of ratepayers and is inconsistent with the Commonwealth's clean energy goals (DOER Brief at 22).

While DOER acknowledges National Grid's concern that delaying recovery through the LTSPP could create inefficient investments, DOER suggests that, if necessary, NWAs could be used to defer the need for certain investments while the LTSPP is established, providing an interim solution consistent with the Companies' practices for bridge-to-wires NWAs identified in their ESMPs (DOER Brief at 25, citing D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 578; D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 295; DPU-Common 19-10, at 2; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 228). DOER states that allowing time for a thorough LTSPP will not delay electrification or DER integration, and that reviewing major ESMP network investments as part of the LTSPP will support the Commonwealth's climate goals while simultaneously protecting ratepayers (DOER Brief at 25-26). DOER further argues that the

Department should direct the Companies to conduct an LTSPP that includes load and distributed generation to develop future draft ESMP proposals for substation and distribution feeder investments, relying on extensive stakeholder engagement (DOER Reply Brief at 6).

Regarding other ESMP investments, DOER urges the Department to defer consideration of National Grid's proposed investments associated with its EV fleet and infrastructure, asserting that these investments are beyond the scope of the current interim ESMP mechanism (DOER Reply Brief at 4). DOER points to the Department's statements in the ESMP Order at 446-447 that "[f]uture company proposals relating to EV programs shall be submitted as separate filings and subject to the precedent and tariffs for those existing mechanisms" (DOER Reply Brief at 4).

DOER also recommends against recovery for resiliency investments under the interim ESMP mechanism, asserting that such proposals are premature (DOER Brief at 26-30, 38). Pointing to the Department's determinations relating to the Companies' proposed CVAs and resiliency investments, DOER states that to be targeted and cost-effective, resilience plans must be accompanied by forecasting, climate hazard scenarios, and investment prioritization and require rigorous oversight and transparency to protect ratepayers and preserve affordability (DOER Brief at 27-28, citing ESMP Order at 253-261). DOER observes that the Department emphasized the use of a CVA framework to accurately assess the resiliency of a company's distribution system but that both NSTAR Electric's and Unitil's CVAs are in their early stages (DOER Brief at 28, citing ESMP Order at 255; D.P.U. 24-10/D.P.U. 24-12, Exhs. DPU-Common 18-2).

Moreover, DOER requests that the Department refrain from making resiliency investments eligible for recovery through the interim ESMP mechanism until the Companies have prepared Climate Vulnerability and Resilience Plans ("CVRPs") that include the particular criteria specified in recent legislation amending G.L. c. 164, § 92B(c) (DOER Brief at 27, citing 2024 Climate Act, § 78). DOER acknowledges that the 2024 Climate Act amendments to G.L. c. 164, § 92B(c), require that CVRPs be submitted every five years, aligning with the second ESMP filing deadline; however, DOER recommends that the Department allow the Companies to submit their CVRPs at a future filing date set by the Department (DOER Brief at 28-29). DOER asserts that the Department should not conduct prudency reviews or deem resiliency investments eligible for recovery under the interim ESMP mechanism until the Department, after stakeholder input, has found the CVRPs to be reasonable (DOER Brief at 29). While DOER lends its support to resiliency investments, it recommends that the Department consider proposed resiliency investments for recovery through the interim ESMP mechanism after the Companies' CVRP completion and integration into resiliency planning, asserting that such an approach would be in the best interests of ratepayers (DOER Brief at 29-30). In addition, DOER contends that clear guidance from the Department on process, format, content, and expectations for CVRPs is necessary and, as a result, asks that the Department develop a timeline and process for Department-led technical sessions for the Companies and stakeholders to discuss resilience investments and the CVRPs (DOER Brief at 30).

In contrast, DOER supports including IEP investments as eligible for cost recovery under the ESMP mechanism (DOER Reply Brief at 4). DOER notes that National Grid categorized IEP investments as network investments while NSTAR Electric categorized them as customer investments, opining that IEP investments are more accurately categorized as customer investments (DOER Reply Brief at 4).[51]

Additionally, DOER argues that the Companies' proposed platform and customer investments will enable a decarbonized, digitized, and cost-effective grid, and requests that the Department make these investments eligible for recovery under the interim ESMP mechanism (DOER Brief at 9-13, 38). DOER argues that the proposed platform and customer investments are continuations of investments from the 2022-2025 Grid Modernization Plans and will advance the Commonwealth's decarbonization and affordability goals (DOER Brief at 10, 13). Specifically, DOER observes that these investments will allow the Companies to expand DERMS software capability, develop and implement grid services, improve DER customer access, comply with FERC Order 2222, and facilitate enhanced interconnections and electrification (DOER Brief at 10-12). DOER maintains that ESMP grid services and DER enablement plans, including funding for the Grid Services Compensation Fund, are an important step towards implementing alternatives to traditional system investments, and may be used to defer and/or avoid network investments (DOER Brief at 11-12).

Regarding additional parameters applicable to the interim ESMP mechanism, DOER argues that the mechanism should sunset at the end of the first ESMP term (DOER Brief at 30-35, 38). In the alternative, DOER encourages the Department to carefully consider any further findings on the appropriateness of an interim ESMP mechanism beyond the first ESMP

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51 DOER similarly observes National Grid's categorization of investments expanding CVR and VVO through its territory as network investments differs from NSTAR Electric's treatment of VVO as customer investments (DOER Reply Brief at 3, citing D.P.U. 24-10/ D.P.U. 24-11, Exhs. DPU-Common 13-2, Att.).

term (DOER Brief at 31). According to DOER, the Companies have failed to support the need for the mechanism beyond the first term or identified the point at which the mechanism should no longer be required (DOER Brief at 31, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DOER-Common 6-7). Further, DOER observes that prolonged use of a short-term targeted cost recovery mechanism erodes the benefits of regulatory lag for ratepayers generally available between base distribution rate cases and shifts the financial risk of investment decisions onto ratepayers (DOER Brief at 32, citing ESMP Order at 442; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 09-39, at 80 (2009)). DOER recognizes that the Companies must make electrification-driven investments to support the Commonwealth's GHG emissions reduction targets and fulfill the obligations of G.L. c. 164, § 92B, but argues that such investments must eventually become a part of each company's regular business planning and ultimately be recovered through base distribution rates (DOER Brief at 33-34). Until the sunset of the interim ESMP mechanism, DOER supports annual prudency reviews for ESMP investments submitted for cost recovery through the interim ESMP mechanism (DOER Brief at 35).

To ensure that ratepayers equitably bear the costs associated with maintaining and modernizing the grid, DOER requests that the Department require the ESMPF to be a standalone, non-bypassable charge (DOER Brief at 35-38). DOER contends that because the ESMPF is intended to allow recovery for ESMP investments meant to advance grid modernization to benefit all ratepayers, costs should be shared equitably among all ratepayers (DOER Brief at 36). DOER notes, however, that the Companies proposed the ESMPF as a volumetric charge, expressly allowing net metering customers to receive a net metering credit inclusive of the

ESMPF (DOER Brief at 35-36, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DOER-Common 6-6(d)). DOER explains that, if the ESMPF is included in the distribution charge on a per-kWh basis, net metering customers and others providing generation to the grid are rewarded twice: once through bill credits earned from selling energy and again through reduced volumetric charges driven by on-site generation (DOER Brief at 36). Thus, DOER states, non-generating customers will face higher rates (DOER Brief at 36). DOER observes that the Department has approved non-bypassable charges in the past, pointing to the existing EV program factors, distributed solar charge, the Provisional System Planning factor, and the net metering recovery surcharge (DOER Brief at 37, citing Electric Vehicles, D.P.U. 21-90/D.P.U. 21-91/D.P.U. 21-92, at 194-195 (2022); Net Metering Rulemaking, D.P.U. 21-100-A at 88 (2024)).

DOER agrees with the Attorney General that the Department should clarify its requirement that any proposed investment be reasonable and prudent, in addition to used and useful (DOER Reply Brief at 7, citing Attorney General Brief at 23). As part of the prudency reviews, DOER requests that the Department require the Companies to: (1) demonstrate how the investment is consistent with the company's approved ESMP; (2) demonstrate that revenue collected through a different cost recovery mechanism was not approved to support an investment filed for cost recovery under the ESMP mechanism; (3) demonstrate that there is insufficient revenue through other cost recovery mechanisms, including base distribution rates, to support the investment filed for cost recovery under the interim ESMP mechanism; (4) provide a description and quantification of incremental ratepayer benefits for the investments filed for cost recovery; and (5) demonstrate how the investments filed for cost recovery were considered within the company's distribution planning system and investment process, including considerations relating to anticipated transportation and building electrification and DER deployment (DOER Reply Brief at 7-8). DOER also supports the Attorney General's position that alignment with the 2050 Decarbonization Roadmap and the 2025/2030 CECP forecast alone is insufficient for prudency for major network investments and recommends requiring the Companies to provide further evidence of prudency applicable to these investments and deriving from LTSPP prioritization in their cost recovery filings (DOER Reply Brief at 6, citing Attorney General Brief at 27-28).

C. The Energy Consortium

TEC argues that the Department should reject ESMP cost recovery for investments needed to meet load growth in the normal course of business (TEC Letter at 1, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 16). TEC contends that proactive expenditures in traditional distribution feeder and substation projects should be evaluated against identifiable needs independent of the ESMP statute (TEC Letter at 1-2).

TEC also supports limiting the ESMP factor revenue requirement cap to 3.0 percent of base distribution revenues as opposed to the 3.0 percent cap of total company revenues proposed by the Companies (TEC Letter at 2, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 21). TEC asserts that a cap based on total company revenue would generally increase due to trends in non-distribution, service-related adjustment factors, such as transmission and public policy-driven items and EE charges, and volatile wholesale power costs (TEC Letter at 2). TEC maintains that tying the cap to these rising costs would create a compounding effect on customer bill increases and provide the Companies with unnecessary bonus headspace for annual ESMP rate adjustments based on external factors unrelated to distribution service (TEC Letter at 2). For these reasons, TEC argues that factors unrelated to distribution service should have no bearing on the allowable revenue to be collected under the ESMPF (TEC Letter at 2).

Finally, TEC urges the Department to adopt a demand-based rather than volumetric rate for the ESMP factor, because projects supporting electrification have a clear cost-causation link to demand and Department priorities now include by statute the responsibility to consider affordability, equity, and GHG emissions reductions (TEC Letter at 3-4, citing G.L. c. 25, § 1A; An Act Creating a Next Generation Roadmap for Massachusetts Climate Policy, St. 2021; An Act Relative to Competitively Priced Electricity, St. 2012, c. 2019; Investigation Pursuant to Chapter 509, Section 51 of the Act of 2012, D.P.U. 12-126). In the alternative, TEC recommends that, at a minimum, the Department create a demand-based rate option for high load factor G-3 customers for the ESMP factor because the current volumetric rate disproportionately impacts such customers (TEC Letter at 3-4). TEC maintains that demand-based rates would be more equitable because they remove the cross subsidization of lower load factor customers by high load factor customers and reduce the barriers to investments in electrification under flat volumetric rates (TEC Letter at 3-4).

D. Companies

1. General

The Companies assert that a targeted cost recovery mechanism is necessary to ensure that they have the financial resources necessary to support the incremental investments identified in their respective ESMPs (Companies' Joint Brief at 3-4, citing D.P.U. 24-10, Exh. ES-1, at 5-6;

D.P.U. 24-11, Exhs. NG-1, at 6-7, 19-20, 25; DPU-Common 13-3; DPU-Common 19-10; D.P.U. 24-12, Exhs. UN-KSCG-1, at 6-7, 9; DPU-Common 13-3; DPU-Common 19-10; Companies' Joint Reply Brief at 2, 4). The Companies contend that reconciling mechanisms are typically utilized to support programs that are outside of their control and volatile in nature, such that a representative expenditure level cannot be established in base rates, or for programs tied to the achievement of public policy objectives that either are newly established or are investments that have not become business as usual (Companies' Joint Brief at 4, 13, citing D.P.U. 24-10, Exh. ES-1, at 6; D.P.U. 24-11, Exh. NG-1, at 6-7; D.P.U. 24-12, Exh. UN-KSCG-1, at 6-7; Companies' Joint Reply Brief at 4, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 19-10). The Companies maintain that incremental ESMP investments fall in the latter category (Companies' Joint Brief at 13-14, D.P.U. 24-10, Exh. ES-1, at 18; D.P.U. 24-11, Exh. NG-1, at 9; D.P.U. 24-12, Exh. UN-KSCG-1, at 18).

The Companies emphasize that, if the ESMP statute did not exist, they would not implement each ESMP investment at the scale, scope, or timelines set forth in the plans and, in particular, would not move forward unless and until they need to be undertaken as core investments (Companies' Joint Brief at 3-4, citing D.P.U. 24-10, Exh. ES-1, at 5; D.P.U. 24-11, Exh. NG-1, at 6-7; D.P.U. 24-12, Exh. UN-KSCG-1, at 6-7; Companies' Joint Reply Brief at 4, 18-19 (citations omitted)). According to the Companies, without a recovery mechanism, they will have insufficient revenue to fund the required level of investments proposed in the ESMPs (Companies' Joint Brief at 3-4; Companies' Joint Reply Brief at 4, 18-19, citing D.P.U. 24-10, Exh. ES-1, at 6-7; D.P.U. 24-11, Exh. NG-1, at 6-7; D.P.U. 24-12, Exh. UN-KSCG-1, at 6-7; RR-DPU-FGE-4; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 12-3; DPU-Common 12-4; DPU-Common 19-10).

The Companies otherwise argue that, as proposed, the interim ESMP mechanism satisfies the Department's directives for the mechanism and should be approved (Companies' Joint Brief at 4, citing ESMP Order at 444; Phase II Procedural Notice at 2-6). In particular, the Companies argue that the proposed interim ESMP mechanism is tailored to recover only eligible costs, contains appropriate cost containment measures, includes provisions for required documentation and alternative investments, and includes a planned sunset (Companies' Joint Brief at 4-14).

2. Eligible ESMP Investments

The Companies argue that their proposed ESMPF tariff is tailored to recover only eligible incremental costs associated with each company's implementation and deployment of its ESMP-related capital and O&M expenses (Companies' Joint Brief at 5, citing D.P.U. 24-10, Exh. ES-1, at 8, 22; D.P.U. 24-11, Exh. NG-1, at 9, 23; D.P.U. 24-12, Exh. UN-KSCG-1, at 10, 23). The Companies maintain that they proposed to exclude CIP- and EV program-related costs for recovery through the interim ESMP mechanism, consistent with the Department's directives (Companies' Joint Brief at 5-6, citing ESMP Order at 445-447; D.P.U. 24-10, Exh. ES-1, at 11 n.1; D.P.U. 24-11, Exh. NG-1, at 19, 25; D.P.U. 24-12, Exh. DPU 12-1). According to the Companies, incremental expenses eligible for recovery would include O&M expenses incurred after January 1, 2025 for progressing IEP, the CESAG, and pre-mobilizing efforts, ahead of the July 1, 2025 ESMP term start date (Companies' Joint Brief at 5-7, citing D.P.U. 24-10, Exh. ES-1, at 8-9; D.P.U. 24-11, Exh. NG-1, at 9-10; D.P.U. 24-12, Exh. UN-KSCG-1, at 10). The Companies posit that the Department directed the Companies to pursue activities to further the ESMP investments, including those specific to IEP and the CESAG, and thus the Companies identified a level of urgency and desire for them to actively progress these activities and expend resources ahead of July 1, 2025 (Companies' Joint Brief at 6-7, citing D.P.U. 24-10, Exh. ES-1, at 8-9; D.P.U. 24-11, Exh. NG-1, at 9-10; D.P.U. 24-12, Exh. UN-KSCG-1, at 10; Companies' Joint Reply Brief at 5).

The Companies also maintain that the Department should allow for recovery of costs incurred during the first ESMP five-year term for projects that may not be in service until a subsequent ESMP term, i.e., cross-over costs (Companies' Joint Brief at 7, citing D.P.U. 24-10, Exh. ES-1, at 9; D.P.U. 24-11, Exh. NG-1, at 10; D.P.U. 24-12, Exh. UN-KSCG-1, at 11; Companies' Joint Reply Brief at 14 (citations omitted)). The Companies assert that cross-over investments may span multiple ESMP terms due to the long lead times necessary for planning, siting, permitting, and construction (Companies' Joint Brief at 7, citing D.P.U. 24-10, Exh. ES-1, at 9; D.P.U. 24-11, Exh. NG-1, at 10; D.P.U. 24-12, Exh. UN-KSCG-1, at 11; Companies' Joint Reply Brief at 14 (citations omitted)). The Companies assert that authorizing the recovery of prudent investments regardless of whether the project was completed within a single ESMP term is essential to fulfilling the requirements of the ESMP statute (Companies' Joint Brief at 7). The Companies commit to including a description and projected in-service dates of any cross-over investments in future ESMPs so that the timelines and cost recovery impacts are transparent (Companies' Joint Brief at 7, citing D.P.U. 24-10, Exh. ES-1, at 10; D.P.U. 24-11, Exh. NG-1, at 11; D.P.U. 24-12, Exh. UN-KSCG-1, at 12).

The Companies contend that the ESMP substation and distribution feeder investments proposed by National Grid and Unitil are not business as usual and represent incremental investments to respond to the Commonwealth's legislative and policy objectives for electrification (Companies' Joint Brief at 4, citing D.P.U. 24-11, Exhs. NG-1, at 19-20, 25; DPU-Common 13-3; DPU-Common 19-10; D.P.U. 24-12, Exhs. UN-KSCG-1, at 9; DPU-Common 13-3; DPU-Common 19-10; Companies' Joint Reply Brief at 19 (citations omitted)). The Companies contest arguments raised by the Attorney General, DOER, and TEC for excluding these investments from recovery through the interim ESMP mechanism (Companies' Joint Reply Brief at 15-22). Specifically, the Companies maintain that the Department did not preclude cost recovery of such investments through the ESMPF, explicitly excluded only CIP and EV program investments, did not discuss significantly modifying the LTSPP to address other network investments, and otherwise found that the investments complied with G.L. c. 164, § 92B (Companies' Joint Reply Brief at 15-16, 20, 21-22, citing ESMP Order at 267-270, 446). Pointing to the Department's acknowledgement that directing ESMP costs to flow through to base distribution rates at this time could drive the Companies to delay, scale down, or decline to make the investments, diminish or eliminate net benefits to ratepayers, and jeopardize the Commonwealth's GHG emissions reduction targets in contravention of the purpose of the ESMP statute, the Companies assert that for the Department to now find these same investments ineligible for recovery under the interim ESMP mechanism would fly in the face of sound regulatory practice (Companies' Joint Reply Brief at 19, 22, citing ESMP Order at 443).

The Companies further contend that the LTSPP stakeholder process is not an appropriate venue for discussion of cost recovery related to ESMP network investments, but, rather, is an outgrowth of D.P.U. 20-75 intended to be a long-term system planning process specific to

DER/DG interconnection (Companies' Joint Reply Brief at 16-17 & n.9, citing ESMP Order at 319, 333-337, 445 & n.109; Distributed Energy Resource Planning and Cost Assignment, D.P.U. 20-75-C at 1 (2022)). The Companies assert that DOER's arguments in favor of incorporating network investments into the LTSPP were already rejected in the ESMP Order and reflects an inappropriate attempt by DOER to relitigate otherwise settled issues (Companies' Joint Reply Brief at 17 & n.11, citing DOER Brief at 14, 24 (additional citations omitted)). The Companies disagree that a new planning process must be developed as a condition of cost recovery for prudent ESMP investments, arguing that the ESMP and Grid Modernization Advisory Council ("GMAC") process already provides the regulatory framework for evaluating both network and LTSPP investments (Companies' Joint Reply Brief at 18, citing ESMP Order at 82; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 19-10). The Companies further argue that the Attorney General's and DOER's arguments to exclude these investments from the interim ESMP mechanism are also an inappropriate attempt to circumvent the ongoing discussion within the LTSPP stakeholder working group mandated by the Department (Companies' Joint Reply Brief at 21 & n.14, citing DOER Brief at 23; D.P.U. 24-10/ D.P.U. 24-11/D.P.U. 24-12, Exhs. DOER-Common 6-10, Att. at 41-47).

The Companies maintain that the substation and distribution feeder investments proposed for recovery through the interim ESMP mechanism by National Grid and Unitil are not business as usual investments, and addressing these investments in the LTSPP will severely delay and/or impact the estimated net benefits of the ESMPs and the ability of the Commonwealth to achieve its clean energy policy objectives (Companies' Joint Reply Brief at 19). The Companies assert that DOER attempts to ease concerns over the delay by observing that if projected load arrives in the interim, the Companies are obligated to serve such load via core business obligations (Companies' Joint Reply Brief at 19, citing DOER Brief at 24). The Companies counter that DOER essentially supports reactive planning and a delay in proactive network investments (Companies' Joint Reply Brief at 20). The Companies concede, however, that some capital investments may incidentally enable additional DG capacity and agree that it is important to take core and incremental substation and distribution feeder investments into account when developing CIPs and future LTSPP investments to avoid redundant investments across the programs (Companies' Joint Reply Brief at 21).

Regarding resiliency investments, the Companies maintain that DOER's position is another attempt to relitigate an issue decided in the ESMP Order, in which the Department found that the ESMP investments proposals—here, those involving resiliency planning—complied with G.L. c. 164, § 92B (Companies' Joint Reply Brief at 22-23, citing ESMP Order at 253-254). The Companies also point to Department determinations that ESMP investments were the first step in proactively upgrading distribution system and resiliency planning and that such processes would evolve and be reported through the biannual ESMP reports over the course of the first term (Companies' Joint Reply Brief at 23, citing ESMP Order at 262). Like DOER's proposed treatment of network investments, the Companies argue that DOER's resiliency recommendations would amount to eliminating proactive investments and result in the Companies maintaining the status quo and reacting to emergent needs (Companies' Joint Reply Brief at 25).

As for DOER's recommendation that the Companies be required to revise their resiliency proposals based on CVRPs, the Companies observe that the statutory requirement for the CVRPs was not enacted until after the ESMP Order (Companies' Joint Reply Brief at 24, citing DOER Brief at 27). The Companies maintain that, according to the rules of statutory construction, statutes generally operate prospectively, and the revisions to the ESMP statute were not drafted in such a manner as to apply retroactively (Companies' Joint Reply Brief at 23-24, citing 2024 Climate Act, § 78; Boston Gas Company v. Department of Public Utilities, 387 Mass. 531, 542 (1982)). The Companies also challenge DOER's proposals as an attempt to undo the Department's findings and to modify the standard of review for these investments without giving sufficient and reasonable notice in advance of such a change (Companies' Joint Reply Brief at 24 (citations omitted)).

The Companies assert that the Attorney General's arguments for requiring a risk-informed cost-benefit analysis for resiliency investments are effectively relitigating the same arguments raised by the Attorney General during Phase I involving non-cost effective investment categories, which the Department rejected (Companies' Joint Reply Brief at 12, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 18-1; DPU-Common 19-4; Attorney General Brief at 30; ESMP Order at 415, 417-418). The Companies maintain that G.L. c. 164, § 92B, requires that the overall plan, rather than discrete investments, provide net benefits to be approved by the Department (Companies' Joint Reply Brief at 12, citing ESMP Order at 417). According to the Companies, performing a cost-benefit analysis at the investment level is inconsistent with the net benefits standard of the statute (Companies' Joint Reply Brief at 12-13).

Finally, in relation to eligible investments, the Companies observe that, due to the long-term nature of the ESMPs, there is inherently less certainty in the demand assessments, customer adoption rates, and system needs compared to their five- or ten-year forecasts (Companies' Joint Brief at 10, citing D.P.U. 24-10, Exh. ES-1, at 15; D.P.U. 24-11, Exh. NG-1, at 15; D.P.U. 24-12, Exh. UN-KSCG-1, at 15). The Companies maintain that, due to the need to adapt to evolving circumstances, their strategic plans for implementation discuss alternatives to proposed incremental capital investments, including NWAs (Companies' Joint Brief at 11, citing D.P.U. 24-10, Exh. ES-1, at 15; D.P.U. 24-11, Exh. NG-1, at 16; D.P.U. 24-12, Exh. UN-KSCG-1, at 15). The Companies contend that consideration of investment alternatives, namely, NWAs, for purposes of the interim ESMP mechanism would be unnecessary if network and resiliency investments are excluded from cost recovery (Companies' Joint Reply Brief at 20 n.13). Similarly, the Companies assert that the Department's investigation of CESAG and implications of changes in the siting process pertain to certain substation and distribution infrastructure investments and, if these investments are ineligible for cost recovery, then consideration of these related matters would also be unnecessary (Companies' Joint Reply Brief at 20 n.13).

3. Cost Containment Provisions

The Companies argue that they identify and propose multiple cost containment measures designed to minimize bill impacts (Companies' Joint Brief at 8-10; Companies' Joint Reply Brief at 5-9). The Companies assert that they control costs in part through their planning and budgeting processes on an ongoing basis (Companies' Joint Brief at 8, citing D.P.U. 24-10, Exh. ES-1, at 10; D.P.U. 24-11, Exh. NG-1, at 11; D.P.U. 24-12, Exh. UN-KSCG-1, at 12). The Companies also point to the efforts of NSTAR Electric and National Grid in applying for federal grants to offset costs (Companies' Joint Brief at 9, citing D.P.U. 24-10, Exh. ES-1, at 12; D.P.U. 24-11, Exh. NG-1, at 12-13).

In addition, the Companies point to their proposed annual revenue requirement cap and term spending cap, which they state are intended to work in tandem, as further protecting customers from bill impacts (Companies' Joint Brief at 8-9, citing Tr. 8, at 1175; D.P.U. 24-10, Exhs. ES-1, at 10-11; ES-3; D.P.U. 24-11, Exhs. NG-1, at 11-12; NG-3; D.P.U. 24-12, Exhs. UN-KSCG-1, at 12-13; UN-KSCG-3; Companies' Joint Reply Brief at 2, 4-6, citing Tr. 8, at 1175; D.P.U. 24-10, Exh. ES-1, at 26; D.P.U. 24-11, Exh. NG-1, at 27; D.P.U. 24-12, Exh. UN-KSCG-1, at 26). The Companies maintain that the level of uncertainty of in-service dates for various ESMP investments requires a level of flexibility to reprioritize projects during the ESMP term to adapt to evolving situations and that the proposed caps allow this flexibility (Companies' Joint Brief at 9, citing Tr. 8, at 1174-1175; ESMP Order at 64-65). The Companies explain that a total spending cap allows them to procure production line slots with vendors, queue up construction teams to manage projects, and adapt to delays in permitting or siting (Companies' Joint Brief at 9, citing Tr. 8, at 1174-1175).

In response to the Attorney General's and TEC's proposal to limit the annual revenue requirement cap to 3.0 percent of base distribution revenues, the Companies counter that their proposed annual cap is consistent with the recently approved National Grid ISRE provision cap for core investments (Companies' Joint Reply Brief at 6, citing Attorney General Brief at 38; TEC Letter at 2-3; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-Common 2-5; D.P.U. 23-150, at 56). They also contend that adoption of the proposal put forth by the Attorney General and TEC would increase the likelihood of deferrals and would not provide a more accurate basis for determining bill impacts because certain components of the customers' bills are not included (Companies' Joint Reply Brief at 6-7, citing Attorney General Brief at 41; TEC Letter at 2-3; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 14-2(a)). The Companies further assert that, since cost recovery is based on in-service dates and not the dates of expenditure, adjusting the proposed annual revenue requirement cap will significantly impact timely cost recovery and discourage the ESMP investments (Companies' Joint Brief at 10).

With regard to the Attorney General's recommendation to disallow the recovery of carrying charges for deferred spending, the Companies argue that they should not be financially penalized for fulfilling state public policy goals (Companies' Joint Reply Brief at 7-8, citing D.P.U. 24-10, Exh. ES-1, at 6; D.P.U. 24-11, Exh. NG-1, at 7; D.P.U. 24-12, Exh. UN-KSCG-1, at 7; Attorney General Brief at 42). Further, the Companies assert that since cost recovery of expenditures happens only after investments are placed into service, larger investments may exceed the annual cap and need to be deferred, and, thus, prohibiting carrying charges on deferred costs would discourage the undertaking of multi-year proactive investments in contravention to the intent of G.L. c. 164, § 92B (Companies' Joint Reply Brief at 8).

Additionally, National Grid argues that its carrying charges should be calculated using its PTRR (Companies' Joint Reply Brief at 8). National Grid maintains that the proposed use of its PTRR is consistent with the ISRE mechanism, because its ESMP includes substantial multi-year capital investments (Companies' Joint Reply Brief at 89, citing D.P.U. 24-11, Exh. NG-2, at 4; D.P.U. 23-150, at 358). As such, National Grid argues that its carrying charges should reflect the average cost of capital and the company's actual burden for deferred recovery (Companies' Joint Reply Brief at 8-9, citing D.P.U. 24-11, Exh. NG-2, at 4). National Grid also asserts that the

Attorney General supports the recovery of network investments through the ISRE mechanism, which would use PTRR for carrying costs (Companies' Joint Reply Brief at 9, citing Attorney General Brief at 12).

4. Additional Mechanism Parameters

The Companies maintain that, while the proposed tariff covers O&M expenses and capital investments placed in service as of June 30, 2030, sunsetting reconciling rates can have negative impacts, in particular, through their ability to attract capital (Companies' Joint Brief at 12, citing D.P.U. 24-10, Exh. ES-1, at 17; D.P.U. 24-11, Exh. NG-1, at 18; D.P.U. 24-12, Exh. UN-KSCG-1, at 17). The Companies assert that mechanisms put in place by the Department to allow for "timely and adequate" recovery of costs play a critical function in the perception that the Commonwealth has a constructive regulatory environment where the ratemaking framework is pragmatic, reasonable, and supportive of recovery at a reasonable, competitive rate of return (Companies' Joint Brief at 12 citing D.P.U. 24-10, Exh. ES-1, at 17; D.P.U. 24-11, Exh. NG-1, at 18; D.P.U. 24-12, Exh. UN-KSCG-1, at 17). The Companies state that their ability to meet their capital requirements and further the objectives of the Commonwealth's clean energy future is tied tightly to the Department's regulatory approach (Companies' Joint Brief at 12).

The Companies further state that a targeted cost recovery mechanism ensures that they have the financial resources necessary to support the ESMP investments and programs that advance Commonwealth objectives but are not yet reflected in base distribution rates (Companies' Joint Brief at 12, citing D.P.U. 24-10, Exh. ES-1, at-18-19; D.P.U. 24-11, Exh. NG-1, at 19; D.P.U. 24-12, Exh. UN-KSCG-1, at 18). The Companies maintain that, as long as the Commonwealth's clean energy goals require them to undertake proactive incremental ESMP investments above core capital expenditures, a cost-recovery path other than base rates is necessary for such investments, possibly through 2050 (Companies' Joint Brief at 14, citing D.P.U. 24-10, Exh. ES-1, at 18; D.P.U. 24-11, Exh. NG-1, at 20; D.P.U. 24-12. Exh. UN-KSCG-1, at 18-19; Companies' Joint Reply Brief at 13, 14, citing D.P.U. 24-10, Exh. ES-1, at 16; D.P.U. 24-11, NG-1, at 18; D.P.U. 24-12, Exh. UN-KSCG-1, at 17). In response to the Attorney General's and DOER's recommendations to sunset the ESMPF, the Companies assert that the Department should not predetermine a sunset date until an alternative cost recovery framework is developed and the transition and implementation timeline are understood (Companies' Joint Reply Brief at 13). The Companies contend that sunsetting the ESMPF without understanding any new framework would create uncertainty, and the Companies state they would not be able to commit to longer-term and later-term projects (Companies' Joint Reply Brief at 14, citing D.P.U. 24-10, Exh. ES-1, at 17; D.P.U. 24-11, Exh. NG-1, at 18; D.P.U. 24-12, Exh. UN-KSCG-1, at 16-17). The Companies agree that sunsetting a reconciling mechanism and shifting recovery of completed additions to base rates at the time that base rates are set in a general distribution rate proceeding is reasonable, but aver that the mechanism would need to remain in place between base rate cases until the accelerating rate of investment slows to reach a steady-state condition (Companies' Joint Brief at 12, citing D.P.U. 24-10, Exh. ES-1, at 17; D.P.U. 24-11, Exh. NG-1, at 18; D.P.U. 24-12, Exh. UN-KSCG-1, at 17; Companies' Joint Reply Brief at 14 (citations omitted)).

In response to TEC's argument that the Department should require a demand-based rate design for ESMPF G-3 customers, the Companies argue that the ESMPF should be consistent with other reconciling mechanisms and should be based on volumetric charges (Companies' Joint Reply Brief at 9-10, citing TEC Letter at 3-4). In support of their position, the Companies specifically point to the outcome of D.P.U. 12-126 and Section 51 of an Act Relative to Competitively Priced Electricity in the Commonwealth, St. 2012, c. 209, and the use of volumetric rates for policy-driven programs such as EE, grid modernization, and net metering cost recovery (Companies' Joint Reply Brief at 9-10, citing D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU-Common 14-8). The Companies maintain that they are mindful of the potential deterrence of electrification through volumetric rates, but they assert that ESMPF accounts for a small portion of customer bills and that the Department has asked each company to develop a heat pump rate to remove disincentives to electrification (Companies' Joint Reply Brief at 10).

Finally, the Companies urge the Department to conduct annual prudency reviews to provide timely feedback and more regulatory certainty (Companies' Joint Reply Brief at 10, citing D.P.U. 24-10, Exh. ES-1, at 19; D.P.U. 24-11, Exh. NG-1, at 21; D.P.U. 24-12, Exh. UN-KSCG-1, at 20). The Companies maintain that a prudency assessment of the investments should be investigated in the context of G.L. c. 164, § 92B, and the Department should recognize that ESMP infrastructure will be placed in service proactively (Companies' Joint Reply Brief at 11). Additionally, the Companies assert that the proposed ESMP tariff outlines the required documentation to be submitted with the annual interim ESMP mechanism cost recovery filings (Companies' Joint Brief at 10, citing D.P.U. 24-10, Exh. ES-1, at 13; D.P.U. 24-11, Exh. NG-1, at 13; D.P.U. 24-12, Exh. UN-KSCG-1, at 13). The Companies explain that the proposed tariff also requires documentation regarding consideration of alternative investments, including but not limited to NWAs, as part of their filings (Companies' Joint Brief at 10, citing D.P.U. 24-10, Exh. ES-1, at 16; D.P.U. 24-11, Exh. NG-1, at 16; D.P.U. 24-12, Exh. UN-KSCG-1, at 16).

VI. INTERIM ESMP MECHANISM

A. Eligible ESMP Investments

1. Introduction

The Companies requested to recover costs associated with the implementation and deployment of projects and activities categorized within their ESMPs as network investments, customer investments, platform investments, resiliency investments, and/or ESMP program administration, as applicable to the company (D.P.U. 24-10, Exhs. ES-1, at 7, 22-23; DPU-Common 13-2, Att.; D.P.U. 24-11, Exhs. NG-1, at 8, 23, 25; DPU-Common 13-2, Att.; D.P.U. 24-12, Exhs. UN-KSCG-1, at 8, 23; DPU-Common 13-2, Att.). The Companies also proposed to recover costs associated with IEP activities and implementation of the CESAG (D.P.U. 24-10, Exhs. ES-1, at 8-9, 20, 24; ES-ESMP-1 (Corrected) at 649; D.P.U. 24-11, Exhs. NG-1, at 9-10; NG-ESMP-1 (Corrected) at 253, 373; D.P.U. 24-12, Exhs. UN-KSCG-1, at 10, 20; DPU-Common 15-2(b); DPU-Common 15-3(d); D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU 1-1 & Atts.; DPU-Common 13-2, Att.). The Companies proposed to define "eligible ESMP investments" within the ESMPF tariffs as "investments necessary to execute on the company's ESMP, as approved by the Department in Phase I of [d]ocket D.P.U. 24-[xx] to advance the Commonwealth's clean energy and electrification goals . . ." (D.P.U. 24-10, Exhs. ES-1, at 22-23; ES-3, at 3, § 3.9; D.P.U. 24-11, Exhs. NG-1, at 24; NG-3, at 3, § 3.9; D.P.U. 24-12, Exhs. UN-KSCG-1, at 23; UN-KSCG-3, at 3, § 3.9).

During the pendency of our Phase II investigation, the Legislature enacted the 2024 Climate Act. This legislation imposes a large array of additional directives and requirements on the Department, DOER, and the Companies, among other entities, in relation to distribution system investments, planning, and cost recovery to be implemented over the next several years during the current ESMP term. See, e.g., 2024 Climate Act, § 82 (*the portion codified at G.L. c. 164, § 150, effective February 18, 2025* – when proposing capital improvements or additions to the distribution system in base rate and other proceedings: (1) directing each distribution company to conduct a cost-effectiveness and timetable analysis of multiple strategies, including the deployment of advanced transmission technologies, advanced conductors, grid-enhancing technologies, or energy storage used as a distribution or transmission resource; and (2) permitting each company to propose a performance incentive mechanism recovered from ratepayers to provide a financial incentive for the company's cost-effective deployment of these investments), § 98 (*further modifying the 2008 Global Warming Solutions Act by adding Section 83E* – directing solicitation of proposals and long-term contracts by distribution companies for approximately 5,000 MW of energy storage, in aggregate, in the Commonwealth by July 31, 2030, with incremental amounts annually commencing July 31, 2025), § 103 (*modifying An Act Driving Clean Energy and Offshore Wind, An Act Driving Clean Energy and Offshore Wind, St. 2022, c. 179 ("2022 Clean Energy Act"), § 81(d)* – (1) directing each electric distribution company to develop a plan, consistent with the requirements and criteria set forth in G.L. c. 164, § 92B, for building additional distribution infrastructure investments necessary to satisfy, at a minimum, the 10-year charging demand assessment to be made by the EV Infrastructure Coordinating Council ("EVICC") by November 20, 2025, and every two years thereafter; (2) requiring any identified investments to be designed to accommodate any additional projected future needs for the area identify by the company, inclusive of increased demand associated with heating and cooling electrification and hosting capacity for DER; and (3) allowing each company to submit to the Department an application to increase its base distribution rates to account for the additional infrastructure, with Department approval required within three months and a prudency review to occur during the company's next general rate case or as part of an ESMP review). The Department is mindful of these directives as we contemplate the Companies' eligible ESMP investment proposals for recovery through the mechanism.

As explained in further detail below, the Department finds investments proposed by the Companies for recovery through the interim ESMP mechanism as either ineligible for recovery through the mechanism, eligible for recovery until the Companies' next base distribution rate proceedings, or otherwise eligible for recovery for the full ESMP term. The Department addresses the Companies' proposed tariff definition for "eligible ESMP investments" in Section VI.C.2.a.i.(A).

2. Analysis and Findings

a. Investments Ineligible for Recovery Through Mechanism

i. Network Investments – Substation and Distribution Feeder Projects (National Grid and Unitil)

As described above in Section IV.B.1., National Grid and Unitil proposed substation and distribution feeder projects as part of their network investments, estimated at $1.52 billion and $29.6 million, respectively, for costs to be incurred through the first ESMP term for recovery through the interim ESMP mechanism (D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-2, Att.). National Grid identified $408.6 million of its estimated costs as associated with approximately 40 substation and distribution feeder projects anticipated to be placed in service after the first ESMP term (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.). As defined in National Grid's proposed tariff, the substation and distribution feeder projects with in-service dates beyond the first ESMP term would qualify as cross-over investments (D.P.U. 24-11, Exhs. NG-2, at 2; NG-3, at 2; DOER-Common 6-3, Att.).[52] National Grid and Unitil both identified the need for the ESMP network investment substation and distribution feeder projects (and proposed ESMP investments, generally) as accelerated investments driven by statutory directives under the ESMP statute and the associated longer-term demand assessments as informed by assumptions from the Commonwealth's 2025/2030 CECP and the Clean Energy and Climate Plan for 2050 (December 2022) ("2050 CECP") and underlying clean energy policies geared towards accelerating DERs and customer adoption of EVs and heat pumps (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 21, 29, 209-212, 250, 359; NG-Policy/Solutions-1 (Corrected) at 70; DPU-Common 9-7; AG-Common 2-1; DOER-Common 6-7; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 138, 143; AG-Common 2-1; DOER-Common 6-7). NSTAR Electric did not identify ESMP network investments for the initial ESMP term, but it designed its proposed tariff to enable recovery of such investments (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 451; ES-1, at 23, 24).

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52 The Companies' proposed tariffs define cross-over investments as "costs incurred for the initiation of proactive and incremental ESMP investments to meet emerging forecasted needs that will have a planned in-service date beyond the active five-year plan period . . . " (D.P.U. 24-10, Exh. ES-3, at 2-3; D.P.U. 24-11, Exh. NG-3, at 2; D.P.U. 24-12, Exh. UN-KSCG-3, at 2-3). The Department addresses the Companies' proposals for cross-over investments in Section VI.C.2.a.i.(B)., below.

The Attorney General and DOER both argue that substation and distribution feeder network investments should be ineligible for recovery through the interim ESMP mechanism (Attorney General Brief at 11-16; DOER Brief at 13-14). The Attorney General contends that National Grid and Unitil have existing cost recovery mechanisms that allow for the planning and recovery of load-driven network investments and that the Companies failed to demonstrate the necessity of recovering these investments through the ESMPF (Attorney General Brief at 11-20). DOER argues that the Companies failed to demonstrate that they have considered or mitigated the risk of ratepayers paying for upgrades that could have been avoided following a more comprehensive planning process, namely the LTSPP, and urges that consideration of such investments be folded into the LTSPP (DOER Brief at 19, 22-26). The Companies counter that existing cost recovery mechanisms and base rate recovery are insufficient to enable investment in the network investments identified at the same pace and scale, that they would not move forward on these investments unless needed to meet their core obligations, and that the anticipated LTSPP is intended for DER-related investments only (Companies' Joint Reply Brief at 15-22).

For the reasons outlined below, the Department finds that substation and distribution feeder network investment projects are ineligible for recovery through the interim ESMP mechanism. The Department also addresses these types of projects with respect to the LTSPP.

To determine whether the proposed substation and distribution feeder network investments should be eligible for recovery through the mechanism, we begin with a review of the ESMP Order. In the ESMP Order at 269, the Department found that the discrete ESMP investments, including the network investment substation and distribution feeder projects proposed by National Grid and Unitil, complied with the statutory requirements outlined in G.L. c. 164, § 92B. The Department further found that applying our existing standards for base distribution rates to ESMP costs would not provide sufficient revenues to support the step change needed to achieve the Commonwealth's GHG emissions targets in the current operating environment, and acknowledged that directing ESMP costs to flow through base distribution rates could: (1) drive the Companies to delay, scale down, or even decline to make the investments outlined in the ESMPs; (2) diminish or eliminate the associated net benefits to ratepayers; and (3) jeopardize the Commonwealth's GHG emissions reduction targets in contravention of G.L. c. 164, § 92B. ESMP Order at 443; see also D.P.U. 23-150, at 41.

The Department also found, however, that the associated costs and scale of the substation and distribution feeder network investments, in particular, were far larger than the other investments identified in each company's portfolio, and we reiterated our obligation to ratepayers to preserve affordability through rigorous oversight of utility expenditures to ensure that costs are minimized and that the Companies are giving due consideration to alternative, lower cost solutions. ESMP Order at 269-270. The Department distinguished between major ESMP infrastructure projects -- in particular, CIPs and new substations -- for which more comprehensive alternatives analyses are better addressed in Department pre-approval proceedings,[53] and other ESMP investments, wherein such analysis, if appropriate, would occur when those investments are submitted to the Department for review of prudence and cost

[53] As examples, the Department observed that such comprehensive alternatives analyses are better addressed through the Provisional Program extension or LTSPP, and that the EFSB applies similar requirements to projects submitted to it for review. ESMP Order at 307-308 (citations omitted).

recovery. ESMP Order at 307-308. Importantly, relevant to this distinction, the Companies did not seek pre-approval or preauthorization of any ESMP investments (D.P.U. 24-10/ D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 15-1; DOER-Common 1-2), and the Department emphasized repeatedly that we were not pre-approving or preauthorizing any ESMP investments, as our review of the ESMPs was only in the context of strategic planning documents and determining each company's compliance with G.L. c. 164, § 92B. ESMP Order at 28, 44, 61-67, 307-308, 333, 431; see also Interlocutory Order on Scope at 17 ("in consideration of the scale of the [budget] pre-approval requests . . . and the inherent uncertainty in projecting costs for a five-year period, the public interest and ratepayer considerations necessitate more than a cursory review of the proposed investments[,]" which would effectively be the result if limited to the seven-month review permitted under the statute).

Moreover, the Department did not indicate that all ESMP investments would be eligible for recovery through the to-be-established interim ESMP mechanism; rather, the Department directed consideration and recovery of particular investments through other mechanisms and explicitly identified definitions of costs eligible for recovery as a topic for our Phase II investigation. ESMP Order at 447; see also D.P.U. 23-150, at 40. The Department conveyed that the interim ESMP mechanism would be a short-term, i.e., temporary, targeted mechanism that would effectively bridge the gap until a long-term cost recovery framework through base distribution rates is established. ESMP Order at 444. As a result, when these considerations are coupled with the scale of the ESMP substation and distribution feeder investments and the Department's clear opposition to pre-approval of any such major ESMP investments, the Department declines to permit recovery of these costs through the interim ESMP mechanism.

Accordingly, we find ESMP substation and distribution feeder investments, with the exception of three projects identified by National Grid, as discussed in Section VI.A.2.c.ii., below, ineligible for recovery through the interim ESMP mechanism.

To the extent that either National Grid or Unitil ultimately determines that any of the substation and distribution feeder ESMP network investments are necessary as core investments or otherwise decides to pursue these investments, then they should pursue those investments consistent with their typical distribution system planning practices, with recovery to be requested through base distribution rates or related mechanisms, and corresponding prudency reviews, after those investments are placed in service (see Tr. 8, at 1099-1112; D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 9-4; DPU-Common 12-4; DPU-Common 19-10).[54] Going forward, to the extent that any substation projects are not previously pre-approved by the Department or reviewed by the EFSB, the Department expects all three Companies to conduct a robust analysis of alternatives prior to proceeding with any future substation projects and distribution feeder investments (ESMP and non-ESMP investments) and to submit that analysis during the prudency review process in future base distribution rate proceedings. See, e.g., ESMP Order, Appendix A at v (requiring capital investment project filings to describe how the company considered and/or incorporated flexible interconnection or NWA options in its proposal); D.P.U. 20-80-B at 98

54 Indeed, Unitil decided to pursue its ESMP substation expansion project in Lunenburg based on known customer step loads, with an estimated in-service date of 2026, during the pendency of its ESMP proceeding (D.P.U. 24-12, Exhs. DPU-Common 9-4; DPU-Common 13-2, Att.; DPU-Common 13-5 & Att. (1); DOER-Common 6-9(b)). The Department acknowledges that Unitil may ultimately decide to limit the scope of this project based on known load projections rather than its demand assessment (D.P.U. 24-12, Exhs. DPU-Common 9-4; DPU-Common 13-5; DOER-Common 6-9(b)).

(requiring local gas distribution companies to demonstrate adequate consideration of non-pipeline alternatives in future proceedings); G.L. c. 164, § 69H (effective February 18, 2025, requiring that findings by the Electric Facilities Siting Board ("EFSB") on various clean energy infrastructure and other facilities ensure that due consideration has been given to NWAs among other requirements); G.L. c. 164, § 69J (requiring petitions before the EFSB to include a description of alternatives to the facility, such as other methods of transmitting or storing energy, other site locations, other sources of electrical power or gas, or a reduction of requirements through load management); NSTAR Electric Company, EFSB 22-03/D.P.U. 22-21, at 31-37 (June 28, 2024) (discussing the wires and NWAs considered by the company for the facility under review).[55]

Next, the Department finds it necessary to also address the implications of recent legislative actions in our consideration of the ESMP substation and distribution feeder network investments identified by National Grid and Unitil. Since the Department's findings in the ESMP Order, the Legislature enacted additional directives regarding further investments in the Companies' distribution systems with related costs that may also be recovered from ratepayers concurrently with ESMP investment costs during the 2025-2030 ESMP term. In particular, the Companies must: (1) accommodate, in the aggregate, approximately 5,000 MW of ESS by July 31, 2030, in coordination with DOER through long-term contracts;[56] and (2) facilitate

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[55] Although the Department is not bound by EFSB precedent, we do consider its approach to be informative.

[56] The Department must issue decisions on those contracts within six months of a contract's filing. 2024 Climate Act, § 98. Pursuant to the 2024 Climate Act, on May 5, 2025, DOER and the Companies jointly filed a petition with the Department for approval of a

necessary investments through a plan developed to accommodate transportation electrification, at a minimum, based on projected 10-year charging demand identified by the EVICC through biannual assessments,[57] as well as projected future needs identified by the Companies for their service areas, including for heating and cooling electrification ("transportation electrification plan"), consistent "with the requirements and criteria set forth" in the ESMP statute. 2024 Climate Act, §§ 98, 103. The Legislature permitted each company to submit an application to increase its base distribution rates as a result of the additional distribution infrastructure identified in the transportation electrification plan, mandating Department approval of those increases within three months of the filings, assuming the requested increase complies with the Department's accounting requirements and the costs identified are not otherwise already being recovered through the company's existing rates. 2024 Climate Act, § 103.

Given the additional statutory mandates, the Department inquired into the implications of various provisions of the 2024 Climate Act on the Companies' planning for the ESMP investments and considerations for the proposed investments and the interim ESMP mechanism (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 19-6). The Companies explained that they did not anticipate re-evaluating or reprioritizing ESMP investments in consideration of the referenced provisions from that legislation and did not consider the

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proposed timetable and method for solicitation and execution of long-term ESS contracts, which the Department docketed as Joint Petition for Solicitation and Execution of Long-Term Contracts for Energy Storage Systems, D.P.U. 25-59. That petition remains pending.

[57] The EVICC must conduct such assessments at least once every two years, with the transportation electrification plans by the Companies due within 12 months of each assessment. 2024 Climate Act, § 103.

legislation to have any bearing on or relevancy to cost recovery through the proposed mechanism (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 19-6). The Department disagrees with the Companies for the following reasons.

As explained in our initial Order, the ESMPs are effectively snapshots in time of planned and proposed investments informed by then-existing forecasts to address more immediate system needs under normal planning practices (core investments) and the longer-term demand assessments addressing the GHG emissions reduction objectives of G.L. c. 164, § 92B (ESMP investments) (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Tr. at 80, 85-86; Tr. 6, at 853-859). ESMP Order at 50-52, 54-55, 58, 129-132, 137-138.[58] At this stage, the forecasts, demand assessments, and statutory requirements relied upon in developing the proposed ESMP investments are now approximately two years old, and any investments identified in the transportation electrification plans to be developed every two years based on EVICC assessments must be "consistent with the requirements and criteria set forth in [S]ection 92B of [C]hapter 164 of the General Laws[.]" 2024 Climate Act, § 103. As such, careful consideration of evolving conditions, which necessarily include the enactment of new legislation relevant to the proposed major substation/distribution feeder investments before the Phase II filings were submitted and the final establishment of the interim ESMP mechanism, is incumbent on both the Companies

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58 Core investments are the Companies' planned investments funded through base distribution rates to maintain the safety and reliability of the electric distribution system in the normal course of business, whereas ESMP investments are accelerated, incremental investments that supplement and go beyond existing programs and core investments, and which were proposed based on the Commonwealth's clean energy and decarbonization goals through electrification and DERs. ESMP Order at 58-59 (citations omitted).

and the Department. See, e.g., ESMP Order at 63-64 (citations omitted) ("a comprehensive planning process that prioritizes distribution projects for construction may look forward five or more years, and . . . a measure of flexibility for both typical and grid modernization planning is necessary, especially for newer technologies and in response to evolving conditions"); see also Bay State Gas Company, D.P.U. 14-134, at 104 (LDC-specific targeted infrastructure reinvestment factor programs then in place replaced with the gas system enhancement plan program and associated cost recovery due to legislation enacted in 2014 and codified at G.L. c. 164, § 145; Investigation to Establish Methods and Procedures to Evaluate and Approve Energy Efficiency Programs, Pursuant to G.L. c. 25, § 19, and G.L. c. 25A, § 11G, D.T.E. 98-100, Order Instituting a Notice of Inquiry (1999) (exploring changes to the review of and revisions to EE programs, and associated cost recovery, as a result of the enactment of G.L. c. 25, § 19, and G.L. c. 25A, § 11G).

The Department is keenly aware of the critical role of electrification in achieving the Commonwealth's climate and energy goals. See G.L. c. 25, § 21(b)(2)(iv)(A), (J); G.L. c. 164, § 92B; ESMP Order at 59-60, 131-132, 264; 2025-2027 Three-Year Plans at 20, 136-138, 172 D.P.U. 20-80-B at 14-16, 22-27, 37-38, 49-51; 2050 CECP at xiv-xvii, 30-31, 40, 48-80 (December 2022). At the same time, the Department must consider the rapid increase in system costs associated with the proposed expansion and the risk that the projected load growth relied on in the selection of proposed network investments does not materialize on the system, which would place the risk of over- or premature investment solely on the Companies' ratepayers. Given the overall magnitude of the proposed investments, the corresponding uncertainty associated with the longer-term needs of the system, and directives in the 2024 Climate Act involving near-term (1) transportation electrification plan infrastructure that may not align with the locations of proposed ESMP investments, and (2) ESS-related investments that may offset projected need under the demand assessments, the Department must take a cautious, measured approach to establishing the parameters of the interim ESMP mechanism.

As we previously stated, the Department has an obligation to ratepayers to preserve affordability through rigorous oversight of utility expenditures to ensure that costs are minimized and that the Companies are giving due consideration to alternative, lower-cost solutions. ESMP Order at 270. With the recent legislative directives, allowing recovery of substation and distribution feeder investments through the interim ESMP mechanism and permitting National Grid and Unitil to proceed with their substation and distribution feeder investments as proposed with limited prior alternatives analyses or consideration of the impact of legislative changes, and without the ratepayer protection of regulatory lag, would potentially jeopardize the ability to efficiently and affordably meet our climate and energy goals. Accordingly, for these reasons, the Department finds that the recent legislation reinforces our decision to exclude substation and distribution feeder network investment projects from eligibility for recovery through the interim ESMP mechanism, with the exception of three projects identified by National Grid, as discussed in Section VI.A.2.c.ii., below.

With regard to DOER's arguments that these proposed investments should be accounted for in the upcoming LTSPP proceedings (DOER Brief at 14, 22-26), we observe that National Grid and Unitil each described its proposed substation and distribution feeder investments as supporting two distinct goals: (1) projected capacity deficiencies and electrification load growth deriving from its demand assessments; and (2) the integration of new DERs and DER interconnections (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 22, 253, 359, 373; NG-Policy/Solutions-1 (Corrected) at 21-22, 70; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected) at 158, 160, 176). In observing the sheer costs and scale of these projects, the Department stated that it also anticipated that projects such as these would be accounted for in the LTSPP to be established. ESMP Order at 270. Consideration of these anticipated projects in the LTSPP is wholly consistent with the second goal of the enablement of new DERs, but less so with respect to the first goal, and we acknowledge that expanding the scope of the LTSPP at this time to include consideration of the first goal is problematic and could unduly delay the establishment of the LTSPP.

The Companies maintain that the primary purpose of the LTSPP is to replace the existing Provisional Program process and proactively enable DER interconnections and establish a cost allocation framework (Companies' Joint Reply Brief at 16-17, citing D.P.U. 24-11, Exh. DPU-Common 19-10; D.P.U. 24-12, Exh. DPU-Common 19-10). During Phase II discovery, National Grid and Unitil further identified that their proposed substation and distribution feeder projects were driven by forecasted load growth associated with electrification of transportation and heating rather than DER interconnections (D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 19-10).[59] As such, the Companies argue that these projects are inappropriate for consideration under the anticipated LTSPP or for cost recovery under any

[59] National Grid and Unitil acknowledged that the substation and distribution feeder projects are multi-value and will create additional hosting capacity for DG interconnections beyond the capacity needed for electrification demand (D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 19-10; DOER-Common 7-1).

future LTSPP mechanism (Companies' Joint Reply Brief at 17; D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 19-10).

Here, while the ESMP substation investments have a secondary goal of integrating new DERs, the Department agrees with the Companies that the LTSPP to be established is not the appropriate process for considering proactive investments geared towards addressing electrification demand growth. The LTSPP proceeding is in its early stages[60] and expanding its scope beyond the primary purpose of proactively upgrading the network to enable DER interconnections could impede achievement of that goal, particularly for any DERs in the interconnection queue. This is consistent with the original purpose of the Department's LTSPP investigation that preceded the 2022 Clean Energy Act as well as our findings in the ESMP Order at 333-339, in which we focused our instructions on the anticipated LTSPP filings on DER interconnection planning and related cost allocation issues. D.P.U. 20-75, at 1-7 (2020); see also D.P.U. 20-75-C at 3 (instructing that the 2022 Clean Energy Act "effectively establishes a statutory, long-term system planning requirement for enabling [DER] development to increase timely adoption of renewable energy and [DERs]").

Even though substation and distribution feeder investments to support electrification demand growth will be considered in separate proceedings from DER-driven upgrades, at least in the near term, our processes necessarily allow for rigorous review of both. Further, the recent 2024 Climate Act, § 103, requires the development of separate transportation electrification

60 The Companies jointly filed their LTSPP proposal with the Department on May 9, 2025, which the Department docketed as D.P.U. 25-20. As part of that proceeding, the Department will consider the appropriate cost recovery framework for LTSPP investments.

plans and related investments by the Companies, and we expect that the Companies will reprioritize investments to align with those separate transportation electrification plans and to optimize and leverage these as well as other investments. In sum, the Department determines that the LTSPP is not the appropriate venue, at this stage of development, for reviewing substation and distribution feeder investments geared towards satisfying the CECP's electrification goals rather than to meet DER interconnection requirements.

The Attorney General argues that these network investments should be planned for and recovered pursuant to existing base rate cost recovery mechanisms (Attorney General Brief at 21-23). The Companies counter that a decision to disallow these investments through the interim ESMP mechanism, including a decision to require these investments be recovered through base distribution rates, may delay electrification because they would need to forego or deprioritize certain projects due to insufficient revenue (Companies' Joint Reply Brief at 18). The Department recognized the Companies' position in the ESMP Order at 443, stating that "directing ESMP costs to flow through base distribution rates at this time could drive the Companies to delay, scale down, or even decline to make the investments and implement the programs outlined in the ESMPs; diminish or eliminate the associated net benefits to ratepayers; and jeopardize the Commonwealth's GHG emissions reduction targets in contravention of the purpose of Section 92B."

Nevertheless, nothing mandates that the Department provide for short-term, targeted cost recovery for all ESMP-proposed investments, especially if doing so would likely present an undue burden on electric ratepayers. We must acknowledge the cumulative effect of the significant costs of the Commonwealth's essential policy programs anticipated during the near term and beyond and the cost impact on ratepayers. 2024 Climate Act, §§ 82, 98, 108; ESMP Order at 458; 2025-2027 Three-Year Plans at 196-208. The Department must prioritize affordability. G.L. c. 25, § 1A; ESMP Order at 447; 2025-2027 Three-Year Plans at 204. We reiterate that this mechanism is intended to be an interim measure until a long-term ESMP cost recovery framework through base distribution rates is developed in a subsequent proceeding. ESMP Order at 447. In other words, our ultimate aim is for cost recovery for proactive investments to meet climate goals, including most if not all ESMP investments, to occur through base distribution rates.

Except for projects to be addressed in the LTSPP, the Department agrees with the Attorney General that major infrastructure investments such as substation and distribution feeder projects should be undertaken as part of the Companies' normal course of business (Attorney General Brief at 14). If the Companies' five- and ten-year forecasts project a need for any of the substation and distribution feeder investments identified by National Grid and Unitil, then the Companies have made clear that they will pursue those investments in due course (D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 9-4; DPU-Common 12-4;

DPU-Common 19-10; Tr. at 85-87; Tr. 8, at 1099-1112).[61] The Department reminds the Companies, however, to consider any efficiencies in planning or construction between core needs, electrification growth demand, and DER interconnections as part of its standard practices for planning investments in areas that have multiple drivers for investment (D.P.U. 24-11, Exhs. DPU 14-2; DPU-Common 19-10; D.P.U. 24-12, Exh. DPU-Common 19-10). We also caution the Companies to avoid redundant investments and to minimize potential costs as they plan for core needs, electrification demand growth, and DER interconnections (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-3).

Finally, based on the above considerations, the Department determines that downward adjustments to National Grid's and Unitil's ESMP term spending budgets based on the exclusion of ESMP substation and distribution feeder projects from recovery through the interim ESMP mechanism are necessary and appropriate. As a result, National Grid and Unitil shall each exclude the cost estimates attributed to these projects from its overall term spending cap. An

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61 In D.P.U. 23-150 at 41, the Department notes that we disallowed recovery by National Grid of ESMP costs through the company's ISRE mechanism. Our findings herein involving investments deemed ineligible for recovery through the ESMPF mechanism and in D.P.U. 23-150, however, do not preclude National Grid from seeking recovery through the ISRE mechanism or, otherwise, base distribution rates to the extent the company ultimately determines that an ESMP investment is necessary for a core business need or has otherwise been found by the Department to be more appropriately pursued as part of the company's normal business planning practices. In contrast, the Department did not preclude recovery by Unitil of ESMP investments through the company's PBR mechanism and associated K-bar adjustments and provided instruction to the extent recovery was permitted through the PBR mechanism. See D.P.U. 23-80/D.P.U. 23-81, at 47-48. Similar to National Grid, we advise Unitil that it is not precluded from seeking recovery through its PBR mechanism, or, otherwise, base distribution rates to the extent the company ultimately determines that an ESMP investment is necessary for a core business need or has otherwise been found by the Department to be more appropriately pursued as part of the company's normal business planning practices.

adjusted term spending cap shall be identified in each company's compliance filing due on Monday, June 30, 2025. See Section VII.

ii. Platform Investments – Private Fiber Expansion and Analog Replacement Projects (National Grid)

As described above in Section IV.B.3.b., National Grid identified several communications projects as platform investments that it proposed for recovery through the interim ESMP mechanism. National Grid's communications projects include those dedicated to continuation of its grid modernization plan investments involving a private fiber communications network ("private fiber platform investments"): (1) expansion of its private fiber network ($26.0 million); and (2) replacement of analog and older digital telecom/SCADA gear and connectivity ("telecom/SCADA analog replacements") ($26.4 million), which also involve expansion of fiber-based connectivity (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 271-272; DPU 1-1, Att. (14); DPU 13-1; DPU-Common 13-2, Att.). As continuing grid modernization investments, the company does not identify incurring ESMP-related costs during 2025, the final year of its second grid modernization plan term; rather, National Grid identifies annual ESMP costs commencing in 2026 for private fiber expansion projects, and only two years of ESMP costs commencing in 2026 for telecom/SCADA analog replacements (D.P.U. 24-11, Exh. DPU 1-1, Att. (14)). See Second Grid Modernization Plans, D.P.U. 21-80-B/ D.P.U. 21-81-B/D.P.U. 21-82-B at 282 (2022) ("Second Grid Modernization Plans (Track 2)"); D.P.U. 21-80-A/D.P.U. 21-81-A/D.P.U. 21-82-A at 16, 20, 89-90, 112 (2022) ("Second Grid Modernization Plans (Track 1)").

National Grid explained that, through implementation of its grid modernization plans, it initiated efforts to build and operate a private communications network and, otherwise, plans to continue to transition from public to private network communications through ESMP investments (D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 271-272). The company also explained that the anticipated increase in connected devices and corresponding necessary endpoint nodes to the distribution network in the future would result in significant commercial cellular costs if investments are not made in a communications network strategy, and, further, that it is proactively responding to commercial carriers' imminent plan to replace older equipment with digital technologies that may not be appropriate for modernizing the grid (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 271-272; DPU 13-1; AG 2-16). Fiber platform investments include costs attributed to investments at substations, microwave sites, radio sites, and other locations that host infrastructure supporting the wide area network ("WAN") and FAN communications needs used to support the company's grid modernization and ESMP investment plans and core business needs (i.e., non-ESMP investments) (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 203-204, 271-272; DPU 13-1(d)). The company explained that it has been prioritizing and is actively addressing 107 distribution substations out of 264 impacted by the commercial carriers' planned retirements of the older analog and digital lines (D.P.U. 24-11, Exh. DPU 13-1(d)). No intervenor specifically addressed National Grid's proposed private fiber platform investments, although DOER generally supported inclusion of platform investments for recovery through the interim ESMP mechanism (DOER Brief at 9-13). For the reasons outlined below, the Department finds that the private fiber platform investments are ineligible for recovery through the interim ESMP mechanism.

Pursuant to G.L. c. 164, § 92B, each company must develop an ESMP to proactively upgrade the distribution system and, where applicable, transmission systems, to improve grid reliability, communications, and resiliency, among other criteria and propose investments, in part, that facilitate grid modernization. The Department interpreted the statute as requiring the identification of specific investments to facilitate the clean energy transition over the long term and that are above and beyond other investments planned by the Companies to meet demand at a business-as-usual pace. ESMP Order at 49-50. The Department also explained that provisions of the statute may be broader than the proposed ESMP investments and may require, where appropriate, descriptions of not only how proposed ESMP investments meet particular elements, but also descriptions of whether and how the company incorporates these elements into its typical distribution system planning processes and practices. ESMP Order at 51-52. In the ESMP Order at 270-271, the Department found that the Companies' investment proposals generally satisfied the requirements of the ESMP statute, unless otherwise addressed elsewhere in the Order. At the time of our initial ESMP review, the Department did not identify or address specific issues with National Grid's proposed communications investments and, thus, those investments were grouped into the Department's broader findings on the Companies' proposed investments as strategic plans.

As noted above in Section VI.A.2.a.i., the Department expressly stated that we were not pre-approving or preauthorizing any ESMP investments, as our review of the ESMPs was only in the context of strategic planning documents and determining each company's compliance with G.L. c. 164, § 92B. ESMP Order at 28, 44, 61-67, 307-308, 333, 431; see also Interlocutory Order on Scope at 17 ("in consideration of the scale of the [budget] pre-approval requests . . . and the inherent uncertainty in projecting costs for a five-year period, the public interest and ratepayer considerations necessitate more than a cursory review of the proposed investments").

Moreover, the Department did not indicate that all ESMP investments would be eligible for recovery through any interim ESMP mechanism to be established; rather, the Department directed consideration and recovery of particular investments through other mechanisms and explained that the Phase II investigation may define the costs eligible for recovery. ESMP Order at 447; see also D.P.U. 23-150, at 40. The Department conveyed that the interim ESMP mechanism would be a short-term, i.e., temporary, targeted mechanism that would effectively bridge the gap until a long-term cost recovery framework through base distribution rates is established. ESMP Order at 444. The interim ESMP mechanism is not intended to be a substitute for cost recovery of necessary distribution system upgrades and investments or investments that should be implemented through the normal course of business.

Based upon further review of National Grid's proposed private fiber platform investments, the Department is not persuaded that these investments should qualify for accelerated recovery through the interim ESMP mechanism. The record reflects that these investments primarily respond to the planned retirement of "archaic" analog and digital leased lines to substations (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 272; DPU 13-1; DPU-Common 13-2, Att.). The record also reflects that the company anticipates increases in connected devices and corresponding necessary endpoint nodes to the distribution network, resulting in corresponding "significant" commercial cellular costs, if it does not pursue an alternative communications solution, and, further, that alternative leasing arrangements may not be the most appropriate for the future grid (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 271-272; DPU 13-1; AG 2-16). In its most recent grid modernization annual report, National Grid describes this project as ensuring network reliability, preventing obsolescence, and guaranteeing signal speeds using the latest circuit architecture. Grid Modernization Annual Reports for Calendar Year 2023, D.P.U. 24-40, National Grid Annual Report at 81 (July 1, 2024).[62]

Given that the company was on notice of the commercial carriers' planned retirement of such obsolete communications equipment and was concerned about anticipated increases in commercial costs and future obsolescence of alternative leasing solutions, the private fiber platform investments proposed for recovery through the interim ESMP mechanism are neither proactive, as anticipated under the ESMP statute, nor do they continue to be forward-looking, as envisioned under the prior grid modernization framework after the current investment year. See G.L. c. 164, § 92B(a) (an ESMP must be a plan "to proactively upgrade" the company's distribution system); Grid Modernization at 146 (grid modernization investments must be "forward-looking in that they are not designed to solely support today's grid functionality, but will also support the full functionality of the end state modern grid"). Additionally, the Department observes that the company actively chose to defer "significant investments in private fiber expansion" during its initial grid modernization plan period to focus on further developing its FAN and WAN solutions. Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 22-41, Term Report at 49 (2022). For the company's second grid modernization term, the Department preauthorized $102.8 million in communications investments, of which $91.71 million involved communications network investments. Second Grid Modernization Plans (Track 1) at 16, 20; D.P.U. 21-81, Exh. NG-GMP-2 (Rev. 2)

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[62] On our own motion, the Department incorporates this report by reference pursuant to 220 CMR 1.10(3).

at 68-80.[63] Overall, National Grid has been authorized to receive accelerated recovery for communications investments for approximately seven years. We decline to further extend accelerated recovery of these particular communications investments as the industry transitions into the ESMP framework.[64]

The Department acknowledges that the electric industry in Massachusetts has been in the midst of a major transition – in this instance, a clean energy transition. See ESMP Order at 59-60 (citations omitted); 2050 CECP at xvii, 6, 30-32. The operating environment for the Massachusetts electric distribution companies has evolved, and advances in technology are further driving fundamental changes in how power is generated, distributed, and consumed. ESMP Order at 60; Second Grid Modernization Plans (Track 2) at 193. Legacy distribution system planning practices are outdated and can no longer be the norm, and as the Department has repeatedly conveyed, grid modernization must ultimately become a part of each company's standard business practices. Each company must adapt to ensure that it continues to meet its longstanding public service obligations. This is not the first time major shifts have occurred in this industry and the presence of a transition cannot be cited as the basis for continuing to seek accelerated recovery outside of base distribution rates for investments that should, at this stage, be business-as-usual. See, e.g., Electric Industry Restructuring, D.P.U. 95-30, at iii, 1-4, 7-11

63 On our own motion, the Department incorporates this report by reference pursuant to 220 CMR 1.10(3).

64 Although there is alignment between the Department's grid modernization objectives and the ESMP statutory objectives, our previous decision to approve related investments as part of National Grid's 2022-2025 Grid Modernization Plan does not automatically deem these investments eligible through the interim ESMP mechanism (D.P.U. 24-11, Exh. DPU 13-1).

(1995); Incentive Regulation, D.P.U. 94-158, at 6-10 (1995); An Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protections Therein, St. 1997, c. 164. Our findings from nearly 40 years ago are applicable here as well:

> We recognize the significant level of uncertainty associated with utility planning decisions, but this uncertainty cannot be used to justify institutional paralysis. The electric utility industry is changing, not as a result of regulation, but as a direct result of economic and technological forces. Management must recognize and respond appropriately to these changes.

Boston Edison Company, D.P.U. 85-266-A/D.P.U. 85-271-A at 10 (1986).

National Grid explained that, if private fiber expansion costs are ineligible for recovery through the interim ESMP mechanism, it would seek to mitigate risks through shorter-term solutions, such as pursuing: (1) digital services from third parties to replace analog services from existing providers; or (2) leasing arrangements with existing providers until a longer-term pathway can be achieved (D.P.U. 24-11, Exh. DPU 13-1(d)). The Department takes this opportunity to remind the company that investments in new technologies for modernizing the grid should be conducted in a strategic and thoughtful manner to avoid early retirements and to minimize costs. See Second Grid Modernization Plans (Track 1) at 69. Technologies evolve quickly, and deployment decisions must balance the benefits of new, advanced technologies with the potentially significant costs associated therewith. Second Grid Modernization Plans (Track 1) at 69. The grid modernization framework was not intended to promote constant replacement and early retirements of technologies. Second Grid Modernization Plans (Track 1) at 69. The Department applies this principle to the ESMP framework. If the company is concerned about anticipated increases in commercial costs and future obsolescence of alternative leasing solutions from commercial carriers' communications networks, then the company must weigh those factors against ensuring its ongoing ability to meet its public service obligation as additional devices are connected to the distribution system, and the need for longer-term solutions. We again caution the company to avoid redundant investments and to minimize potential costs as the company plans for core needs, electrification demand growth, and DER interconnections.

Accordingly, after the expiration of the company's second grid modernization term, any private fiber network expansions and telecom/SCADA analog replacement projects pursued by the company shall be considered business-as-usual investments rather than ESMP investments, and submitted for recovery and a prudency review through traditional ratemaking paths, i.e., through base distribution rates and any related mechanism deriving from a base distribution rate proceeding (see D.P.U. 24-11, Exh. DPU 13-1(f)). See D.P.U. 23-150, at 41-45; Second Grid Modernization Plans (Track 1) at 110; Grid Modernization, D.P.U. 15-120/D.P.U. 15-121/ D.P.U. 15-122, at 145-146 (2018) ("Grid Modernization Order"); Modernization of the Electric Grid, D.P.U. 12-76-B at 19-20 (2014). Thus, the Department finds that the private fiber network investments are ineligible for recovery through the interim ESMP mechanism.[65] Based on the above considerations, the Department directs National Grid to exclude $52.4 million from its overall term spending cap. This adjustment shall be reflected in the company's compliance filing due on Monday, June 30, 2025. See Section VII.

[65] National Grid clarified that communications upgrades for other investments within its portfolio are already incorporated into the project-specific costs (Tr. 8, at 1147-1150).

iii. Customer Investments – TVR Billing Engine Project (National Grid)

National Grid proposed to recover through the interim ESMP mechanism costs associated with implementing a new TVR billing engine (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 260, 278; DPU-Common 13-2, Att.). The company included this project within its customer investments and programs investment category and estimated an associated budget of approximately $4.8 million for the project, with costs to be incurred through at least 2030 (D.P.U. 24-11, Exhs. DPU 1-1, Att. (13); DPU-Common 13-2, Att.). During discovery, the company explained that the new TVR billing engine would permit it to provide a wider portfolio of more complex TVR plans beyond the basic TVR enabled by its existing customer information system ("CIS") working in tandem with its existing customer information and billing system ("CSS") (D.P.U. 24-11, Exhs. DPU 9-6; DPU 13-3; DPU 15-1). National Grid further explained that the TVR billing engine would supplement its existing CIS and CSS and, to the extent that the Department deemed the new billing engine ineligible for recovery through the mechanism, the company would not proceed with the investment at the pace or scale proposed in the ESMP (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 278; DPU 13-3(a); DPU 15-1(c)). No party addressed this project on brief, although DOER generally supports making National Grid's proposed customer investments eligible for recovery through the mechanism because such investments will enable the company to leverage DERs for grid services, better leverage AMI in its planning processes, and set the stage for implementation of TVR structures (DOER Brief at 9, 11, 13). For the reasons outlined below, the Department finds that the TVR billing engine is ineligible for recovery through the interim ESMP mechanism.

Similar to the communications investments discussed in Section VI.A.2.a.ii., above, the Department found in the ESMP Order at 270-271 that, unless otherwise addressed elsewhere in the Order, the Companies' investment proposals generally satisfied the requirements of G.L. c. 164, § 92B. At the time of our initial review, the Department did not identify or address specific issues with National Grid's proposed TVR billing engine project. As a result, this project was grouped into the Department's broader findings on the company's proposed investments as a strategic plan. We also reiterate, consistent with our findings in Section VI.A.2.a.i. and Section VI.A.2.a.ii., above, the interim ESMP mechanism is not intended to be a substitute for cost recovery of necessary distribution system upgrades and investments or investments that should be implemented through the normal course of business.

The Department recognizes that TVR may help increase system efficiencies, provide incentives for reducing peak demand, and promote the deployment of DERs. Investigation into Time Varying Rates, D.P.U. 14-04-C at 67 (2014). Based upon further review of National Grid's proposed TVR billing engine project and our grid modernization plan precedent, however, the Department is not persuaded that this project should qualify for accelerated recovery through the interim ESMP mechanism; rather, the company should pursue this project as part of its normal business planning practices. In 2022, the Department preauthorized and preliminarily approved a total of approximately $487.2 million for the company to implement accelerated AMI-related investments through 2027. Second Grid Modernization Plans (Track 2) at 257, 289-290. The preauthorized investments included enhancements to the company's CIS, estimated at approximately $7.1 million, which are generally eligible for recovery through the company's existing AMIF. Second Grid Modernization Plans (Track 2) at 257, 285; National

Grid, M.D.P.U. No. 1557, at 3, 8. National Grid represented in D.P.U. 21-81 that the CIS enhancements would allow it to bill for TVR options with implementation by 2027. Second Grid Modernization Plans (Track 2) at 45, 121, 239 (citations omitted).

In contrast, in its ESMP proceeding, the company now conveys that its ability to bill TVR would be limited to basic TVR, and that its current billing system is not built to efficiently implement TVR at the scale required for residential customers in the coming years to realize the benefits of new AMI-enabled rates (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 278; DPU 9-6; DPU 13-3). Work to enable the TVR billing engine would primarily occur during 2025 through 2027, concurrent with its other AMI implementation investments (D.P.U. 24-11, Exh. DPU 9-6(c)). The company otherwise estimated adding multiple new “complex rates” to the TVR billing engine annually beginning in 2025 through the end of the first ESMP term, with a total of 31 “new complex rates” by the end of that period (D.P.U. 24-11, Exhs. DPU 1-1, Att. (13), lines 23, 27; DPU-Common 13-2, Att.).[66]

Like other grid modernization investments, the Department notified the Companies that we expected AMI-related investments to become part of the Companies’ normal course of business over time, with accelerated ratemaking treatment to be designed for only a finite period. Second Grid Modernization Plans (Track 2) at 289-290. While technologies evolve quickly, the Companies’ planning must be sufficiently forward-looking. See Second Grid Modernization

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[66] The company explained that once the TVR billing engine is implemented, it would be able to migrate all current rates and associated bill calculation functions, including TVRs, from the CSS to the new billing engine, thereby allowing it to reduce the timeframe for new rate development and enable the development of new programs and services that utilize customer usage information to analyze scenarios across rate options (D.P.U. 24-11, Exh. DPU 9-6).

Plans (Track 1) at 7. For National Grid, we permitted the company a five-year AMI implementation term with accelerated recovery through the AMIF, in part, to facilitate TVR and ultimately enable advanced metering functionality. Second Grid Modernization Plans (Track 2) at 6, 45, 191, 195, 197, 200-201, 241-242, 252, 291, 329.[67] The Department made clear that customer-specific, i.e., AMI-related, grid modernization investments placed in service after the Department-approved AMI implementation term would be ineligible for recovery through the AMIF and, instead, may be recovered in a base distribution rate proceeding or other traditional ratemaking proceeding subject to a prudency finding. Second Grid Modernization Plans (Track 2) at 292 n.121.

In consideration of the Department's findings and directives applicable to preauthorized and preliminarily approved AMI implementation investments, the company's representations in D.P.U. 21-81, and because AMI meters are slated to be fully deployed on the company's system by year-end 2027, the Department expects that additional investments to facilitate more advanced TVR options on the company's system should be pursued and recovered through the company's normal business practices and base distribution rates. Accordingly, the Department finds that costs associated with a new TVR billing engine are ineligible for recovery through the interim ESMP mechanism. As a result, National Grid shall exclude an additional $4.8 million in

[67] The Department has defined advanced metering functionality as: (1) the collection of customers' interval usage data, in near real time, usable for settlement in the ISO-NE energy and ancillary services markets; (2) automated outage and restoration notification; (3) two-way communication between customers and the electric distribution company; and (4) with a customer's permission, communication with and control of appliances. D.P.U. 12-76-B at 3 n.1.

costs associated with this project from its overall ESMP term spending budget, which shall be reflected in its compliance filing.

iv. Network Investments – Accelerated Electrification of Company-Owned Fleet and Related Projects (National Grid)

National Grid proposed for recovery through the interim ESMP mechanism approximately $56.2 million in investments related to accelerated electrification of the company's medium- and heavy duty fleet ("MHDEV") vehicles: (1) $53.15 million in infrastructure and charging facilities for company-owned and leased MHDEV vehicles; (2) $0.33 million in lease costs associated with accelerating its fleet transition for MHDEV; (3) $0.20 million in fleet telematics and contractor resources to support the planning and execution of the charging infrastructure and EVs; and (4) $2.50 million in garage equipment at eight Massachusetts Electric Company garages, including mobile EV charging units (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 353-354; DPU 1-1, Att. (11); DPU-Common 13-2, Att.). Pointing to the Department's findings in the ESMP Order at 446-447, DOER argues that National Grid's proposed fleet electrification projects are outside the scope of the interim ESMP mechanism (DOER Reply Brief at 4).

The Department recognizes that electrification of the company's fleet represents one step towards achieving the Commonwealth's transportation electrification goals and generally found that these investments satisfied the requirements of the ESMP statute. See ESMP Order at 270-271; D.P.U. 23-150, at 156. At the time of our initial ESMP review, the Department did not identify or address specific issues with National Grid's proposed company-owned fleet electrification investments and, thus, those investments were grouped into the Department's broader findings on the Companies' proposed investments as strategic plans. As noted above in Section VI.A.2.a.i. and Section VI.A.2.a.ii., the Department expressly stated that we were not pre-approving or preauthorizing any ESMP investments, as our review of the ESMPs was only in the context of strategic planning documents and determining each company's compliance with G.L. c. 164, § 92B. ESMP Order at 28, 44, 61-67, 307-308, 333, 431; see also Interlocutory Order on Scope at 17 ("in consideration of the scale of the [budget] preapproval requests . . . and the inherent uncertainty in projecting costs for a five-year period, the public interest and ratepayer considerations necessitate more than a cursory review of the proposed investments"). Moreover, the Department did not indicate that all ESMP investments would be eligible for recovery through any interim ESMP mechanism to be established.

Based on our review of National Grid's proposed fleet infrastructure investments, the specific investments proposed for accelerated recovery have limited benefit to the company's distribution system and have limited direct ratepayer benefit. Further, the Department has previously found that while distribution companies may recover the cost of electric vehicle supply equipment ("EVSE") ownership and operation for their own vehicle fleet charging, the Companies may undertake this type of investment through their traditional capital additions process. NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05, at 496 (2017); D.P.U. 13-182-A at 13. The Department, therefore, finds these proposed investments ineligible for recovery through the interim ESMP mechanism. National Grid may pursue fleet electrification and related projects as part of its normal business planning practices and instead seek recovery of these costs through base distribution rates. National Grid shall further adjust its ESMP spending cap in its compliance filing accordingly.

v. Network Investments – Warehouse Expansion Project (National Grid)

National Grid proposed to recover warehouse costs as network investments from the ESMPF, with an associated budget of $6.82 million for the project (D.P.U. 24-11, Exh. DPU-Common 13-2, Att., line 34). The company explained that this investment would support the storage, management, and provision of materials necessary for network investments (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 253, 353, 373; DPU-Common 13-2, Att.). No party addressed this project on brief. The Department finds these costs ineligible for recovery through the interim ESMP mechanism because this project was intended to support investments otherwise deemed ineligible for recovery through the mechanism, i.e., substation and distribution feeder investments and other network investments. See Section VI.A.2.a.i. and Section VI.A.2.a.iv. National Grid shall further adjust its ESMP spending cap in its compliance filing accordingly.

b. Investments Eligible for Recovery Through Mechanism Until Next Base Distribution Rate Proceeding

i. Integrated Energy Planning

In their initial filings, the Companies each devoted a chapter of their ESMPs to IEP, which they described as a "tactical toolkit" and shared process, in coordination with the local gas distribution companies ("LDCs"), to evaluate and shape where, why, how much, and by when to make critical investments in distribution networks to achieve the Commonwealth's clean energy goals and that would advance the Department's guidance in D.P.U. 20-80-B[68] (D.P.U. 24-10,

68 During the pendency of the GMAC's review of the draft ESMPs, the Department issued D.P.U. 20-80-B, announcing a regulatory framework intended to set forth our role and

Exhs. ES-ESMP-1 (Corrected) at 641-699; ES-Policy/Solutions-1, at 123-131; D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 456-464; NG-Policy/Solutions-1 (Corrected) at 99-105; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 263-271; UN-Policy/Solutions-1, at 75-81). During the ESMP term, the Companies proposed to: (1) convene a joint utility planning working group ("Joint Working Group"), inclusive of the LDCs, DOER, Attorney General, and other stakeholders; (2) develop a comprehensive data exchange; and (3) conduct electrification feasibility assessments (D.P.U. 24-10, Exh. ES-ESMP-1 (Corrected) at 649-650; D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 462-463; D.P.U. 24-12, Exh. UN-ESMP-1 (Corrected), at 267-269). In the ESMP Order, the Department approved the EDCs' IEP proposals, finding their proposals to be reasonable and consistent with Department directives and the objectives of the ESMPs. EMSP Order at 158-159, citing G.L. c. 164, § 92B; D.P.U. 20-80-B at 131-132. The Department also observed the importance of the IEP process to the clean energy transition. ESMP Order at 159.

In their Phase II filings, NSTAR Electric and National Grid each proposed recovery for IEP investments through the interim ESMP mechanism, with associated budgets of approximately $13.5 million and $16.1 million, respectively, inclusive of both capital costs and

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that of the LDCs in helping the Commonwealth achieve its target of net zero GHG emissions by 2050. The Department directed the LDCs and the Companies to consult with stakeholders regarding a joint planning process that may lead to proposals for Department review. D.P.U. 20-80-B at 131-132. The Department also directed the LDCs to file Climate Compliance Plans with the Department every five years, beginning in 2025, and required each electric distribution company operating in an LDC's service territory to participate in the Climate Compliance Plan gas planning process. D.P.U. 20-80-B at 3, 134. The LDCs filed their first Climate Compliance Plans on April 1, 2025. See, e.g., Boston Gas Company, D.P.U. 25-41, Notice of Filing, Public Hearings, and Request for Comments (May 7, 2025).

incremental labor through new FTEs (D.P.U. 24-10, Exhs. ES-1, at 8-9; ES-ESMP-1 (Corrected) at 6-49; DPU 1-1 & Att. (a); DPU-Common 13-2, Att.; D.P.U. 24-11, Exhs. NG-1, at 9-10; NG-ESMP-1 (Corrected) at 253, 373; DPU 1-1 & Att. (10); DPU-Common 13-2, Att.). Unitil did not identify a budget or investment category for IEP but explained that it anticipated including recovery through the mechanism for the costs of labor and actively progressing IEP activities (D.P.U. 24-12, Exhs. UN-KSCG-1, at 10; DPU-Common 15-3(d)). DOER supports including IEP investments as eligible for cost recovery under the ESMP mechanism but maintains that these investments are more accurately classified as customer investments (DOER Reply Brief at 34). No other party addressed the Companies' proposed recovery of IEP costs.

During Phase II discovery, the Companies provided details on the steps and activities they have taken to further IEP-related activities. These activities commenced prior to the Department's issuance of the ESMP Order and have continued through early 2025. NSTAR Electric has established an IEP function within its System Planning Department, hired multiple employees to populate an IEP team, and began development of a targeted electrification pilot (D.P.U. 24-10, Exh. DPU-Common 15-2). In addition, the company conducted a review of potential software solutions, ultimately determining that an in-house solution was sufficient (D.P.U. 24-10, Exh. DPU-Common 15-2). Similarly, National Grid established an IEP Steering Committee and an internal cross-functional IEP team, identified the data sharing capabilities necessary for IEP in coordination with NSTAR Electric and Unitil, and has filed a targeted electrification pilot for the Department's consideration, docketed as D.P.U. 24-194 (D.P.U. 24-11, Exh. DPU-Common 15-2). Unitil has also incorporated an IEP function within its planning group, established an IEP team, and begun development of its own targeted electrification pilot (D.P.U. 24-12, Exh. DPU-Common 15-2). Further, the Companies have established a statewide electric distribution company working group focused on IEP, and the working group is developing processes, procedures, and documentation to guide integration of IEP and formalize the role of the Companies within the non-gas pipeline alternative framework process being developed as a result of D.P.U. 20-80-B (D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU-Common 15-2).

The Department commends the Companies for the progress they have made to date in progressing an IEP framework. Although IEP is still in its nascent stages in Massachusetts, the Department expects that IEP will become a regular part of each company's normal business practices moving forward, applicable to both ESMP and non-ESMP investments. The Department acknowledges, however, that those practices have yet to be fully developed and implemented, and embarking on a new framework such as this will take time to develop and may include some adjustments. See Boston Gas Company, D.P.U. 24-GSEP-03, at 74 (April 30, 2025). This framework, by necessity, will include extensive coordination with the LDCs and other stakeholders, as the transition of the natural gas industry in Massachusetts is a complex undertaking that requires broad participation of all the constituencies affected, and the Companies' active participation is integral to facilitating the Commonwealth's "beyond gas" future requiring a step change to their existing business-as-usual planning practices. See ESMP Order at 157; D.P.U. 20-80-B at 14-15, 17-18, 87-88, 131-132, 135; 2025/2030 CECP at 61.

Based on these considerations, the Department finds IEP investments to be eligible for recovery through the interim ESMP mechanism at this time. The Department limits eligibility for IEP-related recovery, however, until each company's next base distribution rate proceeding and associated rate changes. Specifically, the Companies may recover through the interim ESMP mechanism prudently incurred incremental labor and capital investments associated with IEP activities placed in service prior to January 1, 2027 for NSTAR Electric, July 1, 2029 for Unitil, and October 1, 2029 for National Grid, or until such date as extended by the Department for a company's existing PBR stay-out provision, if applicable, although such ESMP investments would be limited to those eligible for recovery for the first ESMP term. D.P.U. 23-150, at 80-81, 98; D.P.U. 23-80/D.P.U. 23-81, at 36-37; D.P.U. 22-22, at 54-56, 81. IEP-related costs incurred after these dates, other than eligible carry-over costs, shall be reflected in base distribution rates or submitted for recovery and review in a subsequent base distribution rate proceeding. The Department expects the Companies to incorporate IEP planning into their normal business practices by that time, inclusive of the development of any IEP planning framework and planned capital investments necessary to facilitate IEP. See G.L. c. 25, § 1A (directing the Department to prioritize with respect to itself and the entities it regulates reductions in GHG emissions, among other factors).

As a result, the Department directs the Companies to adjust their ESMP term spending caps to account for the IEP-eligibility timing and our directives discussed herein. Each company shall reflect these cap adjustments in its compliance filings due on Monday, June 30, 2025.

Cost recovery and determinations related to the Companies' targeted electrification pilot proposals jointly submitted with LDCs will be addressed in the proceedings in which the pilot filings are submitted. The Companies must otherwise demonstrate in their annual interim ESMP mechanism filings that IEP-related costs are not being recovered through other mechanisms and, further, discuss and provide documentation relating to how IEP-related costs are allocated between the company and its affiliates, as well as between distribution companies (both electric and gas), if applicable.

Finally, the Department agrees with DOER that consistency in classification and reporting on IEP activities and related investments would facilitate review. In the ESMP Order at 245-246, we instructed that substantially similar investments such as IEP investments should be grouped within the same investment category and directed the Companies to better coordinate to ensure consistent groupings of substantially similar investments in future ESMP filings. Unlike DOER, the Department views IEP costs as better categorized as network investments; however, because the Department excludes network investments as eligible for recovery during the first ESMP term for NSTAR Electric, we make no adjustment to NSTAR Electric's categorization of IEP investments for the first term. See Section VI.A.2.a.i., above. Nevertheless, we instruct each of the companies to clearly delineate IEP-related activities and investments from other investments in both its annual interim ESMP mechanism filings and biannual ESMP reports.

ii. Community Engagement Stakeholder Advisory Group

In their initial filings, the Companies proposed to establish a CESAG, with a charter and by-laws, to develop a framework that would be employed to inform their community engagement approach for infrastructure projects, both major projects brought before the Department and/or the EFSB for review and, for NSTAR Electric, those projects that may consist of disruptive construction (Tr. 7, at 972-973; D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 36-37, 53, 56, 664; ES-Stakeholder-1, at 10-11; DPU-Common 2-6; DPU-Common 9-15; D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 24, 39, 56;

NG-Stakeholder-1, at 12; DPU-Common 2-6; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 43-44; UN-Stakeholder-1, at 9; DPU-Common 2-6). The Companies also proposed to engage a professional facilitator for coordinating CESAG meetings, which the Companies planned to convene twice per month for the initial four months of its inception, and to facilitate establishing the anticipated outreach and engagement framework (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 7-8, 36-37, 54, 56; DPU-Common 2-6; D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 24, 39, 56-57; DPU-Common 2-6; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 44; DPU-Common 2-6). During Phase II, the Companies clarified that, once the community engagement framework was developed, they did not anticipate a continuation of the CESAG and would likely no longer require the services of the facilitator (D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU-Common 15-3; DPU-Common 20-2; Tr. 8, at 1139-1142).

In Phase I, the Department generally approved the Companies' CESAG proposals but also required the Companies to coordinate with the CESAG to develop clear and cohesive equity policies and practices, including policies and practices related to language access, EJ, and the equitable siting of electric distribution system infrastructure projects. ESMP Order at 374, 385-386. Since that time, the Companies have selected the CESAG facilitator through a request-for-proposal process, and the initial CESAG meeting was scheduled for March 28, 2025 (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 15-2; DPU-Common 20-1; Tr. 8, at 1135-1136).

The Companies each proposed for recovery through the interim ESMP mechanism certain implementation costs deriving from the Department's CESAG directives in the ESMP Order, including incremental labor associated with the facilitator engaged by the Companies for the CESAG (D.P.U. 24-10, Exhs. DPU-Common 2-6; DPU-Common 15-3(d); DPU-Common 20-2; D.P.U. 24-11, Exhs. DPU-Common 13-5; DPU-Common 15-3(d); DPU-Common 20-2; D.P.U. 24-12, Exhs. DPU-Common 13-2, Att.; DPU-Common 15-3(d)). As discussed in Section IV.B.6., above, the Companies did not identify specific budget estimates for CESAG costs. NSTAR Electric explained that it did not anticipate significant costs for the administration of the CESAG and, thus, did not include any amounts in its ESMP term spending cap (D.P.U. 24-10, Exh. DPU-Common 15-3). NSTAR Electric did not identify the investment category to which it would attribute CESAG costs, and National Grid and Unitil each anticipated inclusion of CESAG costs within its ESMP program administration investment category (D.P.U. 24-10, Exh. DPU-Common 17-1; D.P.U. 24-11, Exhs. DPU-Common 13-2, Att.; DPU-Common 20-2; D.P.U. 24-12, Exhs. DPU 1-1; DPU-Common 13-2, Att.). No intervenor addressed the Companies' CESAG-related cost recovery proposals.

Notwithstanding the above, the Department observes that, during Phase II, National Grid and Unitil conveyed that they planned to implement the CESAG community engagement framework for ESMP investments only, whereas NSTAR Electric planned to use the framework for both ESMP and non-ESMP investments (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 20-1; Tr. 8, at 1143-1144). In consideration of the impact of energy distribution system infrastructure on host communities, the Department directs the Companies to implement the CESAG community engagement framework for both ESMP and non-ESMP investments, further ensuring that equity becomes a part of each company's regular business practices, and, further, that application of such a framework should not be limited to major infrastructure investments, e.g., substation and ESS projects; rather, consistent with NSTAR

Electric's proposals, the Companies should apply this community engagement framework more broadly to distribution system planning, in particular, for those projects resulting in disruptive construction.

Moreover, the Department reiterates its expectation that the Companies will coordinate with the CESAG to develop policies and practices related to language access, EJ, and equitable siting principles into their decision-making processes with respect to the distribution project siting, and that the Companies will comply with the Department's Language Access Plan and Orders in D.P.U. 21-50. ESMP Order at 377-378, 382-383, 385-386; see also G.L. c. 25, § 1A (directing the Department to prioritize equity with respect to itself and the entities it regulates, among other factors). Like IEP, the Department expects that the CESAG-developed community engagement framework will be incorporated into the Companies' regular business practices for both ESMP and non-ESMP investments (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 15-3(c)). Nevertheless, the Department acknowledges that additional time and cost are necessary to embed the equity and engagement principles into the Companies' planning and community engagement practices. Accordingly, based on the above considerations, the Department finds that CESAG community engagement framework and implementation costs are eligible for recovery through the interim ESMP mechanism. Like IEP costs, the Department limits eligibility for CESAG-related recovery until each company's next base distribution rate proceeding and associated rate changes. More specifically, the Companies may recover through the interim ESMP mechanism prudently incurred incremental labor and O&M associated with the CESAG prior to January 1, 2027, for NSTAR Electric, July 1, 2029, for Unitil, and October 1, 2029, for National Grid, or until such date to which the Department extends a company's existing PBR stay-out provision, if applicable, although such ESMP investments would be limited to those eligible for recovery for the first ESMP term. D.P.U. 23-150, at 80-81, 98; D.P.U. 23-80/D.P.U. 23-81, at 36-37; D.P.U. 22-22, at 54-56, 81. CESAG-related costs incurred after these dates, other than eligible carry-over costs, shall be reflected in base distribution rates or submitted for recovery and review in a subsequent base distribution rate proceeding.[69] The Department expects the Companies to incorporate the CESAG community engagement framework into their normal business practices by that time.

Finally, because CESAG implementation activities may overlap with other stakeholder engagement activities anticipated by the Companies to be submitted for recovery through the interim ESMP mechanism, the Department instructs the Companies to demonstrate in their annual interim ESMP mechanism filings that the CESAG costs submitted for recovery are not duplicative of costs submitted for other stakeholder engagement activities.

c. Investments Eligible for Recovery Through Mechanism for Full ESMP Term

i. Resiliency Investments

NSTAR Electric proposed to recover through the interim ESMP mechanism targeted resiliency investment projects, estimated at approximately $222.55 million during the first ESMP

[69] The Companies testified that they do not anticipate that the CESAG will meet beyond the four-month period in 2025 to develop the community engagement framework (Tr. 8, at 1135-1136). The costs associated with the CESAG facilitator will likely be incurred only during the four-month period in 2025 for the initial CESAG meetings to develop the community engagement framework (Tr. 8, at 1137). Consequently, the Department accepts that it is unlikely that the Companies will incur CESAG costs beyond the first ESMP term. Notwithstanding, the Department expects the Companies to engage with the CESAG on improvements to their equity strategies and policies based on stakeholder feedback and lessons learned. ESMP Order at 378.

term, attributed to undergrounding ($216.5 million), aerial cable upgrades ($3.57 million), tree wire conversions ($0.57 million), and resiliency tree work ($1.91 million) (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 622-626; ES-1, at 11, 24; DPU-Common 13-2, Att.). Unitil also proposed to recover costs for targeted resiliency investments, estimated at approximately $5.0 million during the first ESMP term, attributed to undergrounding, spacer cable installation, and developing or automating circuit ties (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 253-256; UN-KSCG-1, at 9; DPU 6-4; DPU-Common 13-2, Att.).[70] National Grid did not propose to recover resiliency investments through the interim ESMP mechanism during the initial term (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 431; NG-Policy/Solutions-1 (Corrected) at 51-52; DPU-Common 9-1; DPU-Common 13-2, Att.; DPU-Common 18-2; DOER-Common 6-9).

DOER argues it would be premature to allow cost recovery of resiliency investments through the interim ESMP mechanism because NSTAR Electric and Unitil have not yet updated and/or prepared their anticipated Climate Vulnerability Assessments ("CVAs") and Climate Vulnerability and Resilience Plans ("CVRPs"), which DOER maintains that the Department must review and deem reasonable before the companies can recover investments for targeted resiliency measures (DOER Brief at 26-30, 38). In a similar vein, the Attorney General argues that the Department should require each company to perform a risk-informed cost-benefit

70 NSTAR Electric identified specific targeted resiliency projects with associated budgets, whereas Unitil identified only a general targeted resiliency budget (D.P.U. 24-10/ D.P.U. 24-12, Exhs. DPU-Common 13-2, Att.).

analysis for individual resiliency projects, subject to a cost-effectiveness review in the annual ESMPF cost recovery filings (Attorney General Brief at 36-37, 48).

The Companies counter that DOER and the Attorney General effectively seek to relitigate issues addressed during Phase I, where the Department already found that the resiliency proposals complied with G.L. c. 164, § 92B, and, further, requiring a cost-benefit analysis by investment would be inconsistent with the plan-level net benefits requirements under the statute (Companies' Joint Reply Brief at 12-13, 22-23). Regarding DOER's proposals to require approval of the Companies' CVRPs before deeming resiliency investments eligible for recovery, the Companies assert that DOER's proposal is not supported by the rules of statutory construction, which generally operate prospectively (Companies' Joint Reply Brief at 23-24).

For the reasons outlined below, the Department finds that resiliency investments by NSTAR Electric and Unitil are eligible for recovery through the interim mechanism, subject to certain project selection and documentation requirements and, for NSTAR Electric, an adjustment to its budget. To be eligible for recovery, the Department requires that targeted ESMP resiliency projects must be informed by the company's CVA, but we decline to require company reliance on CVRPs for first-term ESMP investments. The Department also declines to require NSTAR Electric and Unitil to conduct a cost-benefit analysis for each resiliency project.

The Department defines targeted resiliency investments as: (1) targeted historical data-driven grid hardening investments intended to go above and beyond the Companies' core obligation to provide reliable service, as defined by the reliability metrics in Service Quality Guidelines, D.P.U. 12-120-D, Att. A at 2, 6 (2015); and (2) targeted adaptation investments resulting from CVAs. ESMP Order at 256 n.80. To determine whether targeted resiliency investments should be eligible for recovery by NSTAR Electric and Unitil through the mechanism, like other ESMP investments, we first examine our guidance from the ESMP Order.

In the ESMP Order at 253-254, the Department found that the targeted resiliency investment planning proposals by NSTAR Electric and Unitil, which were based on new approaches building off their existing planning practices, complied with the statutory requirements outlined in G.L. c. 164, § 92B.[71] In Phase I, no intervenor opposed those processes; rather, they noted the importance of consistency among the Companies. ESMP Order at 256. The Department agreed that some consistency was necessary, provided guidance on the Companies' resiliency planning processing for targeted resiliency investments (ESMP and non-ESMP), and directed certain modifications to these processes. ESMP Order at 255-262. The Department explained that an accurate assessment of the resilience of the system, including identification of weak points on that system, is critical to forward-looking distribution system planning that will help the Commonwealth move closer to realizing its GHG emissions reduction goals. ESMP Order at 255-256. The Department also explained that it expected the Companies' targeted resiliency investment planning processes, including their CVA frameworks, to evolve over the course of the first and subsequent ESMP terms to incorporate lessons learned. ESMP Order at 262. The Department found that climate change vulnerability and hazard analyses, in particular, would provide crucial information for utility resilience planning not only at the strategic plan level but also at the more granular investment planning level. ESMP Order at 256.

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71 The Companies have long been subject to reliability requirements, and reliability is a subset of resiliency inasmuch as reliability investments may assist in improving resiliency. ESMP Order at 256 n.80.

As the intensity and frequency of weather-related events due to climate change increases, reliance on system performance beyond those occurring under blue-sky operating conditions, as well as each company's incorporation of a CVA framework, are imperative to accurately assess the resiliency of the system and those locations in need of hardening. ESMP Order at 255. Because targeted resiliency planning and investments by the Companies are in their nascent stages and will continue to be developed and evolve, and because the ESMP legislation specifically directed the Companies to propose discrete ESMP investments that facilitated, in part, greater resiliency, the Department finds that such investments should be eligible for recovery during the initial ESMP term. See G.L. c. 164, § 92B(e); see also Service Quality Reporting, D.P.U. 24-53, at 2, 10-13 (2024) (opening an inquiry to explore revisions to existing service quality reporting and requirements, including consideration of resiliency performance metrics beyond existing blue-sky reliability benchmarks).[72] Coupled with biannual ESMP reporting, annual ESMP cost recovery filings seeking recovery of these types of investments will provide the Department and other interested stakeholders with the opportunity to more closely evaluate and inform the evolution of targeted resiliency planning as it becomes integrated into the Companies' core business planning practices beyond the ESMPs. The Department makes clear, however, that only NSTAR Electric and Unitil are permitted to seek cost recovery for resiliency investments as eligible investments under the interim ESMP mechanism during the current term. National Grid did not identify or propose discrete ESMP resiliency investments or incorporate associated amounts into its proposed budget; rather, National Grid made clear that it

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[72] Historically, the Department's service quality reporting and requirements have focused on blue-sky day reliability and performance. D.P.U. 24-53, at 10.

planned to pursue those types of investments as part of its core business practices under its existing base distribution rates (although resiliency is a secondary benefit to many of its other ESMP investments) (see D.P.U. 24-11, Exh. NG-ESMP-1 (Corrected) at 25, 380, 382, 432).

To be eligible for recovery through the interim ESMP mechanism, the investments must satisfy the requirements and guidance provided by the Department in the ESMP Order at 256-262, which required modifications to the Companies' respective targeted resiliency planning processes, including their CVA frameworks. First, the Department required the Companies to identify suitable locations for targeted resiliency investments based on historical performance information that includes major outage event data, such as all-in CMI or all-in SAIDI. ESMP Order at 256. The Department determined that such a process would allow the Companies to identify and prioritize locations with the greatest need for targeted resiliency improvements. ESMP Order at 257. For purposes of cost recovery through the ESMPF, the records reflect that NSTAR Electric and Unitil already incorporate this requirement into their targeted resiliency planning practices, which will inform their ESMP resiliency investments (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 85, 618-626; ES-Policy/Solutions-1, at 49; ES-1, at 24; AG-Common 2-4; D.P.U. 24-12, Exhs. DPU-Common 18-2; AG-Common 2-4).

Second, the Department required the Companies to assess the cost-effectiveness of targeted resiliency investments as part of their resiliency planning processes, noting that the impact of each additional dollar spent on targeted resiliency projects is expected to have declining benefits for system resilience. ESMP Order at 257-258 (citations omitted). The Department found that such an approach would assist each company in identifying optimal investments and prioritizing least-cost investment solutions and, thus, would minimize bill impacts on ratepayers. ESMP Order at 257-258. The Department observed that NSTAR Electric and Unitil assessed project-level cost efficiency for resiliency investments, such as dollars per CMI saved by the mitigation measure, to determine whether to proceed with construction of a project or the order in which to deploy such projects, but also observed that while NSTAR Electric performed analyses to calculate the potential reductions in storm restoration costs and the avoided costs of outages, the company did not contemplate using these analyses to inform the size for, or appropriate location of, resiliency investments. ESMP Order at 257-258, citing Tr. 5, at 614, 645-646, 649-650; D.P.U. 24-12, Exh. DPU 6-6. As noted by the Attorney General, cost efficiency differs from cost effectiveness (Attorney General Brief at 33, citing D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-WG-1, at 35-36).

The Department expects the Companies to coordinate on identifying and prioritizing suitable locations and solutions for resiliency investments and on developing novel ways to measure their cost effectiveness. ESMP Order at 258. The Department did not specifically require the Companies to assess cost effectiveness of resiliency investments at a project level, however (i.e., a comparison of project costs to the dollar value of project benefits). As a result, the Department declines to accept, as premature, the Attorney General's proposal to require the Companies to conduct a risk-informed benefit cost analysis at a project level based on an estimated value of SAIDI or CMI reductions plus avoided storm costs and/or a calculation based on avoiding "adverse events" (see Attorney General Brief at 35-36 (citations omitted)). Further, it is not clear from the record whether such an analysis would be possible or reliable at this time because "adverse events," as identified by the Attorney General, are unpredictable, are beyond the Companies' control, and are not clearly defined (see D.P.U. 24-10, Exh. ES-Net Benefits-3

(Corrected) at 29-30, 39; D.P.U. 24-11, Exh. NG-Net Benefits-3 (Corrected) at 29-30; D.P.U. 24-12, Exh. UN-Net Benefits-3 (Rev.) at 28-29, 43; D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. AG-WG-1, at 31-32; DPU-Common 18-1). See also ESMP Order at 431 (explaining that our net benefits' findings should not be relied on in any future filings seeking pre-approval of investments or budgets relating to these investments or for subsequent prudency reviews).

At the same time, the Department determines that the Companies must be prepared to demonstrate the cost effectiveness of their targeted resiliency investments at the time they submit those investments for prudency review and cost recovery – for NSTAR Electric and Unitil, at the time they submit those costs for recovery through their annual interim ESMP mechanism cost recovery filings, and for National Grid, at the time it requests prudency review and cost recovery through other paths. Consistent with the instructions in the ESMP Order, this demonstration must clearly explain how the company identified and prioritized suitable locations and solutions for resiliency investments, how the company coordinated with the other investor-owned electric distribution companies to analyze cost effectiveness, and whether and how the investments were cost effective. ESMP Order at 258. Otherwise, the Companies risk disallowance of recovery of such costs.

Further, NSTAR Electric and Unitil confirmed that they can model cost efficiency at a project level by comparing the cost of the project to the outcome (e.g., reduced CMI, reduced all-in SAIDI) (Tr. 8, at 1114-1117, 1124-1125; D.P.U. 24-10, Exhs. DOER 6-2; AG-Common 2-4; D.P.U. 24-12, Exh. AG-Common 2-4). The Department determines that an analysis of project-level cost efficiency based on this model would be useful for analyzing targeted resiliency investments to be submitted for recovery through the interim ESMP mechanism. Therefore, the Department directs NSTAR Electric and Unitil to report on project-level cost efficiency for each targeted resiliency project.

Additionally, because the Companies already implement these types of investments in their normal business practices (e.g., undergrounding, spacer and/or aerial cables, tree wires, and for NSTAR Electric, resiliency tree work program investments) for purposes of reliability and other programs, NSTAR Electric and Unitil must demonstrate in their annual interim ESMP mechanism filings that the investments are incremental to core investments and existing programs (see, e.g., D.P.U. 24-10/D.P.U. 24-12, Exhs. DPU-Common 20-3). The Department expects that resiliency investments submitted for recovery through the interim ESMP mechanism will not replace similar investments historically made by the Companies to improve reliability as part of their core business practices (e.g., undergrounding, spacer cable installation, vegetation management, etc.) and already planned for their upcoming five-year capital plans (see D.P.U. 24-10/D.P.U. 24-12, Exhs. DPU-Common 20-3). Similarly, cost recovery through the interim ESMP mechanism shall exclude projects conducted for municipalities for aesthetic purposes or to accommodate interconnecting customers or new development requests, since these costs are borne by requesting municipalities and interconnecting customers/developers (D.P.U. 24-10/D.P.U. 24-12, Exhs. DPU-Common 20-3; DPU-Common 20-4). As a result, NSTAR Electric and Unitil shall also provide in their annual cost recovery filings identification and location documentation of both targeted ESMP resiliency projects submitted for recovery and non-ESMP undergrounding, spacer and/or aerial cable, and tree wire projects conducted by the company during the same period. These projects shall be reported cumulatively once in service in subsequent annual cost recovery filings.

For NSTAR Electric, the company must also demonstrate in its annual ESMPF filings that any ESMP resiliency tree work investments are not duplicative of existing resiliency tree work ("RTW") program and routine vegetation management investments. In particular, the company must provide a chart that identifies the three-phase and single-phase circuits on which ESMP-related work was performed versus the circuits on which RTW program and routine vegetation management work was performed during the same reporting period, i.e., the ESMP investment year. See Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 19-144-A at 30-34 (2020); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 17-92, at 42, 55 (2018). Further, the Department instructs NSTAR Electric that any ESMP RTW should be classified for accounting purposes and submitted for recovery as O&M expense, rather than a capital expense, consistent with current practice for its RTW program (D.P.U. 24-10, Exh. DPU-Common 13-2, Att.). See NSTAR Electric, M.D.P.U. No. 72E at 1-2, §§ 4.0(a), 6.0; D.P.U. 17-92, at 43; D.P.U. 17-05, at 592-593.

Third, the Department conveyed our concern that neither NSTAR Electric nor Unitil considered the needs of critical facilities in developing its targeted resiliency plans. ESMP Order at 258-259, citing Tr. 5, at 650-652; D.P.U. 24-10, Exh. DPU 11-7. We observed that the Companies are already required to maintain a list of critical facilities and to prioritize restoration of customers on their critical facilities lists in the respective emergency response plans. ESMP Order at 258 (citations omitted). As a result, the Department instructed that the Companies must each address whether its resiliency planning processes sufficiently accounted for the resiliency needs of critical facilities and demonstrate how it considered municipal input in assessing the resiliency requirements of critical facilities. See ESMP Order at 259. The Department applies this requirement to cost recovery for resiliency investments.

Fourth, the Department directed the Companies to rely on the results of their CVAs to identify locations in need of targeted resiliency investments based not only on historical data indicating poor performance but also based on heightened risk due to climate change. ESMP Order at 259. The Department found the CVA frameworks and the anticipated analyses of the potential impacts of climate change across various scenarios to be integral to forward-looking distribution system planning and successful pursuit of the objectives identified in G.L. c. 164, § 92B(a)(i), (iv) and (b)(i). ESMP Order at 260. To ensure greater consistency between the Companies' CVAs, the Department required the Companies to coordinate on developing common forecasting windows and standardized sets of climate hazards and climate change scenario parameters moving forward, unless they could demonstrate a basis for the inconsistencies. ESMP Order at 260.

In consideration of our cost-effectiveness directives, the Department also required that the CVAs being developed by the Companies address: (1) an assessment of the risk level associated with the hazard's probability of occurrence under the climate change scenario studied; (2) the cost of the targeted resiliency investment; (3) potential resiliency benefits, which could include improved electric grid performance, avoided restoration costs, avoided outage costs, and community benefits; (4) impacts to critical facilities and EJ populations; and (5) a prioritization process to implement resiliency investments based on the assessment. ESMP Order at 261. Accordingly, the Department agrees with DOER that CVAs should be incorporated into the

Companies' resiliency planning (DOER Brief at 28). As a result, for resiliency investments to be eligible for recovery through the interim ESMP mechanism, the Companies must first complete and/or modify their CVAs to incorporate and account for the Department's directives above, and those CVAs must be relied upon in selecting targeted resiliency investments. Stated differently, for the initial ESMP term, the Department will consider cost recovery for targeted resiliency investments under the interim ESMP Mechanism only if NSTAR Electric and Unitil demonstrate that such investments have been informed by their CVAs developed consistently with the Department's directives.

The Department, however, declines DOER's suggestion to require the Companies to finalize their CVRPs before resiliency investments may be eligible for recovery through the mechanism (DOER Brief at 28-30). The 2024 Climate Act's revisions to G.L. c. 164, § 92B(c) modify the requirements applicable to the Companies "[i]n developing" their ESMPs, particularly by adding the CVRP requirement through new subsection G.L. c. 164, § 92B(c)(iv). The Department discussed our interpretation of legislative intent for this portion of the statute, including the term "[i]n developing" a plan, in depth in the ESMP Order at 47-51. Importantly, the Department noted that section 92B prescribes requirements intended to inform any draft ESMPs filed with the GMAC and final ESMPs filed with the Department. ESMP Order at 51. No party opposed this interpretation, nor did any party appeal or request reconsideration or clarification of any portion of our ESMP Order. As such, the Department relies on this interpretation and finds the CVRP requirement is applicable to the second term ESMP filings, and that it would be premature, inappropriate, and contrary to legislative intent to apply this requirement to first term ESMP investments.

The next ESMP term commences July 1, 2030, with the next draft plans due to the GMAC on February 12, 2029. ESMP Order at 146, 148. In the interim, the Department anticipates that the CVAs may be further refined over the ESMP term. ESMP Order at 262. Therefore, for this term, the Department expects that the Companies will continue to refine their resiliency planning processes and incorporate lessons learned from the CVAs, and any Department guidance provided in response to the annual ESMPF cost recovery filings where resiliency investments are submitted for recovery or other applicable adjudications, in developing their CVRPs for the second ESMP term. At this time, it would be premature for the Department to conduct technical sessions on the CVRPs, as suggested by DOER (DOER Brief at 30). In the interim, however, the Department encourages DOER to explore resiliency considerations and expectations for the GMAC through the GMAC process to inform future CVRP and ESMP filings. See ESMP Order at 81 (finding that the Legislature contemplated that the GMAC, which includes the Companies as non-voting members, would engage in ongoing collaboration during the period between draft ESMP filings).

In sum, as discussed above, the targeted ESMP resiliency investments eligible for recovery from the interim ESMP mechanism must be informed by the Department's ESMP Order directives, including the requirement that the selection of such investments must be informed by each company's to-be-developed CVAs incorporating these directives. The overall ESMP term spending budgets[73] proposed by NSTAR Electric and Unitil, however, each include amounts estimated for targeted resiliency investments based on new resiliency planning practices

[73] The Department addresses each company's proposed ESMP term spending cap in Section VI.B.2., below.

that precede the Department's ESMP Order directives, and on historic spending on similar projects (D.P.U. 24-10, Exhs. DPU 1-1, at 3; DPU-Common 13-2, Att.; DPU-Common 20-3; D.P.U. 24-12, Exhs. DPU 1-1, at 9; DPU-Common 13-2, Att.; DPU-Common 20-3). As a result, the Department finds it necessary to evaluate whether to apply a downward adjustment to each company's proposed ESMP term spending cap based on the changes directed for these investments and the scale of costs requested.

To inform our term spending cap adjustment determinations, we look to each company's historic and planned capital spending for similar reliability projects (see D.P.U. 24-10/ D.P.U. 24-12, Exhs. DPU-Common 20-3). For Unitil, we observe that its resiliency budget was based on recent annual spending on similar projects and would support approximately two miles of spacer cable installation, or 700 to 1,800 feet of targeted undergrounding, but may also be used for circuit ties (D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 256; UN-KSCG-1, at 9; DPU 1-1, at 9; DOER 5-2(b)). We also observe that Unitil has not incurred costs for targeted undergrounding projects since 2020 and has not planned or identified, as yet, any such non-ESMP projects to be performed over the next several years, other than potential projects funded by municipalities or developers (D.P.U. 24-12, Exhs. DPU-Common 20-3; DPU-Common 20-4). Between 2020 and 2024, the company's average annual reliability spending amount for core business projects totaled approximately $645,104, and the company explained that its proposed annual resiliency ESMP budget "would double" the current reliability budget (D.P.U. 24-12, Exhs. DPU 1-1, at 9; DPU-Common 20-3(a)). Although the company's anticipated annual ESMP resiliency spending budget of $1.0 million reflects an approximate 55 percent increase from existing spending (not a doubling of five-year average historic spending), it is clear that the company has planned its resiliency investments at a pace that was informed by historic spending, and, therefore, the Department will permit Unitil's total targeted resiliency budget to be incorporated into the ESMP term spending cap.

In contrast, the vast majority of NSTAR Electric's ESMP resiliency investment budget, approximately 97 percent ($216.5 million of the $222.55 million total) is based on cost estimates for 32 undergrounding projects, which average approximately $6.8 million per project (D.P.U. 24-10, Exh. DPU-Common 13-2, Att.). If this amount were permitted to be incorporated into the overall ESMP spending budget, the associated investment would represent a 2,179 percent increase from the $9.5 million spent on undergrounding as reported by the company for the period 2020 through 2024, which involved only three projects pursued by municipalities for aesthetic reasons and averaged approximately $3.2 million per project (D.P.U. 24-10, Exh. DPU-Common 20-3, at 2).[74] For the period 2025 through 2029, NSTAR Electric's five-year capital investment plan (non-ESMP) budget at the time of discovery for undergrounding projects totaled $58.87 million for 46 projects, averaging approximately $11.8 million each year for this period, averaging approximately $1.28 million per project. ESMP undergrounding spending as proposed would amount to an average of $43.3 million each year for 2025 through 2029, representing a 267 percent increase beyond the average annual amount allocated for undergrounding in the capital investment plan (D.P.U. 24-10, Exh. DPU-Common 20-3, at 3). The record does not identify a clear correlation or rationale for

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74 The total as reported by NSTAR Electric excluded undergrounding project work for other reliability projects (D.P.U. 24-10, Exh. DPU-Common 20-3). NSTAR Electric also confirmed that such municipal project costs were 100 percent reimbursed by the municipality (D.P.U. 24-10, Exh. DPU-Common 20-3).

the scale of ESMP undergrounding budget estimates identified by NSTAR Electric in comparison to historic and planned non-ESMP undergrounding investments. For purposes of cost recovery, the Department finds that this substantial increase in proposed undergrounding investment is unreasonable and, also, that granting eligibility of costs at this scale would be premature, given that the projected reliance on undergrounding for targeted resiliency investments involves a new approach for the company that is otherwise still in development (D.P.U. 24-10, Exh. DPU-Common 20-3).

For these reasons, the Department determines that an adjustment to NSTAR Electric's ESMP term spending cap based on reductions to targeted resiliency inputs is necessary and appropriate. In establishing the adjustment, the Department will rely on the company's planned and historic spending for these types of projects as sufficient representative levels. Based on our review, we adjust the undergrounding budget line item from \$216.5 million to \$19.0 million, resulting in a downward adjustment of \$197.5 million to the company's ESMP term spending cap, to a total of \$25.05 million for all resiliency investments. The \$19.0 million will permit approximately six undergrounding projects based on a five-year- average of historic spending,[75] and as many as 15 undergrounding projects based on the five-year average for the company's projected non-ESMP-capital spending for these types of projects[76] (D.P.U. 24-10, Exh. DPU-Common 20-3). NSTAR Electric shall incorporate this adjustment into its overall

75 $9.5 million/3 projects = ~$3.17 million per project. $19.0 million/$3.17 million = 6.0 projects (see D.P.U. 24-10, Exh. DPU-Common 20-3, at 2).

76 $58.87 million/46 projects = ~ $1.28 million per project. $19.0 million/$1.28 million = 14.8 projects (see D.P.U. 24-10, Exh. DPU-Common 20-3, at 3).

ESMP term spending cap and shall provide this adjusted cap in its compliance filing due on Monday, June 30, 2025. See Section VII.

Finally, based on the directives above the Department directs the Companies to include the following information specific to resiliency investments in their cost recovery filings: (1) identification of the targeted resiliency investments for which each company is seeking cost recovery, including location, type of investment (e.g., undergrounding, aerial cable, etc.), costs separated between capital and O&M; (2) project-level cost-efficiency analysis for each targeted resiliency investment; (3) any adjustments to the proposed portfolio of targeted resiliency investments with an explanation of how these investments were targeted consistent with the Department's directives; (4) a chart separating ESMP RTW and non-ESMP RTW program work performed during the same reporting period (see Section VI.C.2.a.vi.); (5) an explanation of how the company accounted for the resiliency needs of critical facilities and a demonstration of how it considered municipal input; and (6) a completed CVA framework that incorporates the Department's directives and a narrative of how the CVA informed the Companies' targeted resiliency investments.

ii. Network Investments – Electric Vehicle Highway Charging Substation Projects (National Grid)

As described above in Section IV.B.1.b., National Grid identified more than 50 ESMP substation and distribution feeder projects with costs proposed for recovery through the interim ESMP mechanism (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 21, 251, 291-292, 301-302, 313, 318, 324, 330, 336, 364-365; NG-Policy/Solutions-1 (Corrected) at 21-22, 70; DPU-Common 13-2, Att.). Of the substation and distribution feeder projects identified, National Grid explained that three projects would support the anticipated demand associated with EV charging along highways in Massachusetts located in Bridgewater, Charlton, and Westborough, with a preliminary estimated in-service date of 2035 for all three projects (D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 307, 326, 332; DPU-Common 13-2, Att.; Tr. 8, at 1165). The company estimated that it would incur approximately $47.75 million in capital costs and no O&M expenses during the first ESMP term to implement these projects (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.). National Grid conveyed that it would not proceed with these projects at the scale and pace proposed in the ESMP if the Department deems them to be ineligible for recovery through the interim ESMP mechanism (D.P.U. 24-11, Exh. DPU 15-5).

Unlike the remaining ESMP substation and distribution line projects identified by National Grid, the Department finds that implementation costs for these three substation projects are eligible for recovery through the interim ESMP mechanism. National Grid designed the Bridgewater, Charlton, and Westborough EV highway charging substation projects to align with future capacity needs projected not only through its long-term demand assessment but also through an Electric Highways Study commissioned by the company (D.P.U. 24-11, Exh. DPU 15-5 & Att. (1); Tr. at 95-96; Tr. 8 at 1165). The study: (1) considered state policy goals for electrification of light-duty vehicles and medium- and heavy-duty vehicles; and (2) observed charging station behavior and traffic data to model expected power demand growth between 2022 and 2045 across 71 sites in New York and Massachusetts (D.P.U. 24-11, Exh. DPU 15-5, Att. (1) at 9). The company also discussed the Electric Highways Study and the anticipated need for these substations with the Electric Vehicle Infrastructure Coordinating Council ("EVICC") and the Massachusetts Department of Transportation ("MassDOT"), and it intends to consult with MassDOT and other stakeholders on an ongoing basis to evaluate if and when the capacity is needed at these areas before proceeding with these three particular projects (D.P.U. 24-11, Exhs. DPU 15-5 & Atts. (2), (5); DPU 15-5, Att. (3) at 25-26; DPU 15-5, Att. (4), at 5-7; Tr. 8, at 1165-1166).

The Department is concerned that uncertainty in funding for EV charging infrastructure on highways, including at the federal level, could jeopardize the electrification of the transportation sector, a key component of the Commonwealth's clean energy and emissions reduction policies. As such, the Department is hesitant to interrupt any progress achieved through coordination with the EVICC and MassDOT on these three projects, which are consistent with the Commonwealth's goals for transportation electrification. See G.L. c. 164, § 92B(e) (discrete investments proposed within the ESMPs may facilitate increased transportation electrification); 2050 CECP at xi-xvi, 7, 18-22, 49-54. Therefore, in contrast to the ESMP substation and distribution feeder projects discussed in Section VI.A.2.a.i., above, the Department finds that the Bridgewater, Charlton, and Westborough EV highway charging substation projects are appropriate and eligible for recovery through the interim ESMP mechanism at this time.

The Department recognizes that these three projects may not be placed in service for at least a decade, however (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.; Tr. 8, at 1165). Prior to that time, the Department anticipates implementing a long-term cost recovery framework for ESMP investments to supplant the interim ESMP mechanism. See ESMP Order at 444, 447. Once established, our expectation is that most, if not all, incremental ESMP investments will be recovered through that long-term cost recovery framework. Notwithstanding, for the limited purpose of facilitating these three EV highway charging substation projects, we do not oppose maintaining the interim ESMP mechanism for the recovery of the costs associated with these projects, provided that these projects are in service by no later than June 30, 2035. National Grid shall modify the definition of "eligible ESMP investments" in its compliance tariff consistent with these findings.

Further, Section 103 of the 2024 Climate Act ("Section 103") permits the Companies to each submit applications to increase its base distribution rates as a result of additional distribution infrastructure identified in transportation electrification plans developed in response to biannual EVICC assessments, mandating Department approval of those increases within three months of the filings, subject to certain requirements. While we do not opine at this time as to whether these three projects would be eligible for recovery under a Section 103 application, Section 103 does present another potential cost recovery path. Additionally, the company may always seek review and recovery of those investments in a subsequent base distribution rate proceeding.

Finally, the Department reiterates that under the parameters we are establishing for the interim ESMP mechanism, the company may not recover costs for these investments until they are placed in service, may not recover carrying charges on any amounts incurred to be recovered at a later date, and must demonstrate in its annual cost recovery filings how these investments benefit ratepayers. See Section VI.C.2.b.

iii. Remaining Investments

For all remaining discrete ESMP investments proposed by the Companies for recovery through the interim ESMP mechanism, if not otherwise addressed separately, the Department previously determined that the investments generally satisfied the requirements of G.L. c. 164,

§ 92B. ESMP Order at 270-271. These investments include projects and activities grouped within the following investment categories: customer investments, platform investments, and for National Grid and Unitil only, ESMP program administration[77] and additional network investments (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-2, Att.; D.P.U. 24-12, Exhs. DPU 12-1; AG-Common 3-1, Att. (1)). Specifically, the Department found that the proposed investments would, among other things: (1) enhance interconnections and facilitate the interconnection of DERs; (2) provide customers new opportunities to access renewable energy; (3) facilitate the electrification of transportation and buildings and support other future demands on its systems; (4) enhance safety and reliability; (5) enable and support integration of VPPs, DERs as grid assets, and NWAs; and (6) provide greater customer reliability and flexibility for grid planning. ESMP Order at 270-271.

As noted previously, DOER generally supports making the Companies' proposed platform and customer investments eligible for recovery through the mechanism (DOER Brief at 9-13, 38). DOER observes that investments within these categories would include continuations of second term grid modernization plan investments and otherwise would further enable the Commonwealth's decarbonization and affordability goals by setting up grid services and VPP programs and leveraging DERs (DOER Brief at 13). No other intervenor addressed whether the remaining investments should be eligible for recovery through the mechanism.

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77 Although NSTAR Electric did not identify ESMP program administration as a separate investment category, it explained that, because project-specific costs would be charged directly to individual projects and associated work orders, program administration costs would span across multiple ESMP investment categories (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 450-451; DPU 1-1; DPU-Common 13-2, Att.; DPU-Common 17-1).

Based on our review of the records, the Department finds that the remaining investments are eligible for cost recovery through the interim ESMP mechanism. We observe, however, that several projects within these investment categories involve a continuation of grid modernization investments, including CVR/VVO, distribution automation, DERMS, and early fault detection (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-2, Att.). Second Grid Modernization Plans (Track 2) at 159-161, 175-177, 190; Second Grid Modernization Plans (Track 1) at 1-2, 16, 67-71, 77, 84-89, 98; Grid Modernization Order at 154-155, 163-165, 172-173. While the Department deems these investments to be eligible for recovery through the interim ESMP mechanism, we reiterate that we expect such investments to become part of each company's normal planning practices, conducted in a strategic manner to avoid early retirements and minimize stranded costs, and allow for long-term solutions and expanded capabilities in the future. See Second Grid Modernization Plans (Track 2) at 160-161, 176-177, 289-290; Second Grid Modernization Plans (Track 1) at 69-70, 111; Grid Modernization Order at 235; D.P.U. 12-76-B at 19. As a result, we anticipate that such investments will not be eligible for accelerated recovery through an annually reconciling mechanism after the first ESMP term.

B. ESMP Term Spending and Annual Revenue Requirement Caps

1. Introduction

The Companies each proposed a two-part cost cap for the mechanism applicable to eligible first-term ESMP investments: (1) an ESMP term spending, or budget, cap; and (2) an ESMPF annual revenue requirement cap.[78] The Companies proposed company-specific

[78] The Department notes that in the attachment to Exhibit DPU-Common 19-3, NSTAR Electric calculated the revenue requirement cap at 3.0 percent as a flat cap, rather than an

cumulative term spending caps of $339.0 million (NSTAR Electric), $2.2 billion (National Grid), and $51.1 million (Unitil), respectively, inclusive of in-service capital investments and incremental O&M expenses, for costs incurred to implement eligible ESMP investments for the first ESMP term (D.P.U. 24-10, Exhs. ES-1, at 11, 22; ES-3, at 9-10; D.P.U. 24-11, Exhs. NG-1, at 12, 25, 28; NG-3, at 8; D.P.U. 24-12, Exhs. UN-KSCG-1, at 13, 23; UN-KSCG-3, at 8-9; DPU 12-1; AG-Common 3-1). The Companies also each proposed to apply a cap on the change in the annual ESMPF revenue requirement to 3.0 percent of prior-year annual total revenues, with the proposed percentage based on the cap percentages permitted by the Department for National Grid's ISRE mechanism and previously allowed for the GSEPs[79] (D.P.U. 24-10, Exhs. ES-1, at 11; DPU-Common 13-6; D.P.U. 24-11, Exhs. NG-1, at 12; DPU-Common 13-6; D.P.U. 24-12, Exhs. UN-KSCG-1, at 12; DPU-Common 13-6).[80] The Companies stated that should this cap be exceeded, they proposed to be able to defer the excess revenue requirement for recovery to a future year to mitigate bill impacts while allowing them to pursue ESMP investments (D.P.U. 24-10, Exh. ES-1, at 11; D.P.U. 24-11, Exh. NG-1, at 12; D.P.U. 24-12,

annual revenue requirement cap like National Grid and Unitil (D.P.U. 24-10/ D.P.U. 24-11, Exhs. DPU-Common 19-3, Att. at 2; D.P.U. 24-10, Exh. DPU-Common 16-2, Att. at 1; D.P.U. 24-11, Exh. DPU-Common 16-2, Att. at 3; D.P.U. 24-12, Exh. DPU-Common 19-9, Att. at 1).

79 The Department recently reduced the permitted GSEP annual revenue cap percentage. See, e.g., Boston Gas Company, D.P.U. 24-GSEP-03, at 31-34 (April 30, 2025).

80 As proposed, annual total revenues would include distribution, transmission, transition, and all reconciling charges as approved by the Department, plus an adjustment for electric supply for customers who are served by competitive suppliers or municipal aggregators (D.P.U. 24-10, Exhs. ES-2, at 7-8; ES-3, at 9-10; D.P.U. 24-11, Exhs. NG-2, at 7; NG-3, at 8; D.P.U. 24-12, Exhs. UN-KSCG-2, at 7; UN-KSCG-3, at 8).

Exh. UN-KSCG-1, at 13). The Companies maintained that, when combined, the company-specific term cap and 3.0 percent ESMPF annual revenue requirement cap would work in conjunction to mitigate customer bill impacts and contain costs (D.P.U. 24-10, Exhs. ES-1, at 10-11; DPU-Common 14-1; D.P.U. 24-11, Exhs. NG-1, at 11-12; DPU-Common 14-1; D.P.U. 24-12, Exhs. UN-KSCG-1, at 12-13; DPU-Common 14-1).

The Attorney General opposes basing the Companies' proposed ESMPF annual revenue requirement cap on total revenues and, instead, recommends that this cap be set at 3.0 percent of prior-year annual base distribution revenues (Attorney General Brief at 38-39). According to the Attorney General, basing the annual cap on total revenues would subject ratepayers to significant volatility and violate the principle of rate continuity (Attorney General Brief at 38). TEC also supports limiting the ESMPF annual revenue requirement cap to 3.0 percent of base distribution revenues (TEC Letter at 2).

2. Analysis and Findings

The Department has found that reconciling cost recovery mechanisms reduce and potentially eliminate the important incentive that regulatory lag provides to companies to maintain an appropriate balance between investing in capital improvements and incurring O&M expenses beyond a representative level of O&M expenses already recovered through base distribution rates. See D.P.U. 23-150, at 45; Grid Modernization Order at 221-224; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 15-155, at 55-56 (2016); D.P.U. 09-39, at 81. Because they allow for dollar-for-dollar recovery from ratepayers, reconciling cost recovery mechanisms substantially reduce or even eliminate benefits to ratepayers that would accrue as a result of regulatory lag. See, e.g., ESMP Order at 442-443;

D.P.U. 23-80/D.P.U. 23-81, at 302; D.P.U. 15-120-F/D.P.U. 15-121-F/D.P.U. 15-122-F at 8-9 (2022); Fitchburg Gas and Electric Light Company, D.P.U. 13-90-A at 10 (2014); Boston Gas Company, D.P.U. 96-50 (Phase I) at 81 (1996). To protect ratepayers against the incentive investor-owned utilities have to over-invest in capital infrastructure to produce earnings for their shareholders, the Department has directed companies to implement investment or spending caps when allowing such mechanisms. See, e.g., D.P.U. 23-150, at 45-46, 49; Second Grid Modernization Plans (Track 2) at 236-237, 256-257, 276; Grid Modernization Order at 155-156, 164, 173, 224, 231; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 16-104, at 18-20 (2016); Fitchburg Gas and Electric Light Company, D.P.U. 15-80/D.P.U. 15-81, at 53 (2016); D.P.U. 09-39, at 81-82. In addition to investment or spending caps, the Department has also implemented annual revenue requirement caps to provide stability and predictability of mechanism revenues and to allow ratepayers an opportunity to adjust in response to the associated bill impacts. See, e.g., D.P.U. 23-150, at 49; Aquarion Water Company of Massachusetts, D.P.U. 17-90-A at 26-29 (2019); New England Gas Company, D.P.U. 10-114, at 68-70 (2011).

As a preliminary matter, the Department finds that an ESMP term spending cap specific to each company will facilitate cost containment. The Department determines that establishing company-specific term spending caps based on the cumulative estimated costs of investments deemed eligible for recovery provides an appropriate measure in this instance for establishing those caps. The Department also determines that the preliminary cost estimates and supporting documentation provided by the Companies for those investments are sufficient for establishing the term spending caps, with the exception of certain resiliency spending cost estimates discussed above in Section VI.A.2.c.i. (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU 1-1 & Atts.; DPU-Common 13-2, Atts.). Although we are not pre-approving or preauthorizing any investments, we rely on our ESMP Order findings and grid modernization precedent as a guide for establishing the term spending cap.

In reviewing cost estimates under the grid modernization framework, the Department explained that such estimates should, to the extent possible, be based on vendor quotes, estimates for similar projects, and data from relevant case studies in other jurisdictions. See Second Grid Modernization Plans (Track 2) at 225; Grid Modernization Order at 116 n.52; D.P.U. 12-76-C at 13 (2014). In that context, the Department also acknowledged the uncertainty inherent in planning estimates for the grid modernization plans, which were originally anticipated to be five-year plans like the ESMPs. See Second Grid Modernization Plans (Track 2) at 223; D.P.U. 12-76-C at 38. The Companies were expected to provide their best estimates of costs at the time their plans were filed. See Second Grid Modernization Plans (Track 2) at 223; D.P.U. 12-76-C at 13.

In the current proceedings, using the grid modernization framework as a guide, the Department already found that the Companies submitted their best estimates of ESMP investment costs, both capital and O&M, based on subject matter expert analyses and costs for similar projects. ESMP Order at 428 (citations omitted). The record reflects that each company also relied on vendor quotes for similar projects and projects conducted in other jurisdictions for certain investments (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU 1-1 & Atts.). The Department observes that, consistent with existing practice, each company will conduct more detailed engineering analyses and follow its competitive procurement and project approval processes, as appropriate for each investment, assuming the company moves forward on particular ESMP investments deemed eligible for recovery (D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU 1-1 & Atts.; DPU-Common 13-2 & Att.). See ESMP Order at 428 n.137.

The Companies each provided a breakdown of estimated costs to be incurred during the term by investment category, investment type, and project name, for the ESMP investments it proposed for recovery through the interim ESMP mechanism (D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU-Common 13-2, Att.). For NSTAR Electric, however, the Department identifies a discrepancy between the company's proposed term spending cap of $339.0 million and the total estimated costs of the projects proposed for recovery, which total $336.55 million (D.P.U. 24-10, Exhs. ES-1, at 11; ES-3, at 10; DPU-Common 13-2, Att.). Because the lower figure derives from an exhibit with a clear association between the individual and total estimated project costs, NSTAR Electric shall rely on the lower number as the initial baseline in its compliance filing for its term spending cap before applying the downward adjustments directed by the Department earlier in this Order specific to resiliency (from $222.55 million to $25.05 million) and IEP investments.[81]

For National Grid, the company proposed an ESMP term cap of $2.2 billion (D.P.U. 24-11, Exhs. NG-1, at 12, 25, 28; NG-3, at 8). This number correlates to the $2.154 billion identified in the exhibit providing more specific breakdowns between individual

81 As instructed by the Department in Section VI.2.b., each company must apply downward adjustments to its ESMP term spending cap based on partial-term recovery and associated cap adjustments required for IEP investments. Each company shall identify and support those adjustments in its compliance filing due on Monday, June 30, 2025.

and total estimated project costs, after rounding (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.). Due to the scale of investment, however, the company shall rely on the lower number as the initial baseline in its compliance filing for its term spending cap before applying the downward adjustments directed by the Department earlier in this Order specific to substation and feeder projects with the exception of three EV highway projects ($1.52 billion, inclusive of associated FTEs), and IEP and CESAG investments, as well as projects and costs involving private fiber platform investments ($52.34 million), a TVR billing engine ($4.8 million), warehouse expansion ($6.82 million), and electrification of its own fleet ($56.2 million). The Department observes that National Grid also incorporated FTEs into its budget estimates for multiple investment categories with projects deemed ineligible for recovery through the interim ESMP mechanism, e.g., customer investments, platform investments, and ESMP program administration (D.P.U. 24-11, Exhs. DPU 1-1 & Atts.; DPU-Common 13-2, Att.). As a result, in its compliance filing the company shall explain and apply further downward adjustments to its overall ESMP term spending cap based on corresponding reductions to FTEs, as appropriate. If no further adjustments are necessary to the FTEs, the company shall explain why.

For Unitil, the company proposed a term cap of approximately $51.1 million (D.P.U. 24-12, Exhs. UN-KSCG-1, at 13, 23; UN-KSCG-3, at 9; DPU 12-1; AG-Common 3-1, Att.). This ESMP term spending cap number correlates to the number identified in the exhibit providing more specific breakdowns between individual and total estimated project costs, excluding EV program extension costs (D.P.U. 24-12, Exhs. UN-KSCG-3, at 9; DPU 12-1; AG-Common 3-1, Att.). Unitil shall rely on this number as the initial baseline in its compliance filing for its term spending cap before applying the downward adjustments directed by the Department earlier in this Order specific to substation investments ($29.6 million).[82]

Finally, with regard to the ESMP term spending cap, the Department notes that this is an overall spending cap, which will permit the Companies the flexibility to shift spending between eligible investment projects and investment categories to respond to evolving conditions. Any spending over the overall term cap will not be eligible for recovery through the ESMPF. As a term spending cap, our findings herein do not constitute pre-approval of each company's budget for particular projects or investment categories. See ESMP Order at 431. With the exception of the three National Grid EV highway charging substation projects deemed eligible for recovery through the mechanism although their projected in-service dates are 2035, any ESMP capital projects placed in service after the conclusion of the ESMP term may be submitted for review and recovery in the company's subsequent base distribution rate proceeding. See Section VI.A.2.c.ii. and Section VI.C.2.a.i.(B).

We now turn our attention to the ESMPF annual revenue requirement cap proposed by the Companies (D.P.U. 24-10, Exh. ES-1, at 11; D.P.U. 24-11, Exh. NG-1, at 12; D.P.U. 24-12, Exh. UN-KSCG-1, at 12). The Companies maintain that a 3.0 percent ESMPF annual revenue requirement cap based on annual total revenue is appropriate, consistent with similar caps implemented for the GSEPs and National Grid's ISRE, and will minimize customer bill impacts as well as will provide the Companies with flexibility in executing the ESMP (D.P.U. 24-10/

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[82] As noted in Section IV.B.5. and Section IV.B.6., above, Unitil did not identify specific costs attributed to IEP and CESAG investments but explained that it anticipated seeking recovery of costs related to expenditures for these activities (D.P.U. 24-12, Exhs. UN-KSCG-1, at 10; DPU 1-1; DPU-Common 13-2, Att.; DPU-Common 15-3(d)).

D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-6). The Attorney General and TEC urge a revenue requirement cap limited to base distribution revenues only (Attorney General Brief at 38; TEC Letter at 2). The Department has consistently emphasized the significance of rate continuity to ratemaking. See, e.g., D.P.U. 23-150, at 477; D.P.U. 23-80/D.P.U. 23-81, at 367; NSTAR Electric Company, D.P.U. 22-22, at 404 (2022). If well designed, revenue requirement caps should provide meaningful incentives for cost containment against a company's incentive to overinvest in capital infrastructure or incur additional O&M. See D.P.U. 23-150, at 45-46, 49; Boston Gas Company, Essex Gas Company, and Colonial Gas Company, D.P.U. 10-55, at 131-134 (2010). Therefore, the Department finds it reasonable that the Companies include an annual revenue requirement cap as part of the ESMPF mechanism.

Based on the records in these proceedings, however, the Department finds that an ESMPF annual revenue requirement cap based on total revenue may not provide a meaningful cost containment incentive to the Companies in relation to ESMP expenditures (D.P.U. 24-10/ D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-6, Att.; DPU-Common 13-7; DPU-Common 19-1, Att.). Customer bill impacts are a direct function of the revenue requirement approved for recovery through the ESMPF in each year (Tr. 8, at 1171-1175). While a revenue requirement cap based on total revenues best approximates the total impact to customers on a total bill basis, it also results in the most potential volatility to ratepayers, because total revenues include supply costs, which are based on fluctuating wholesale markets, and growth in revenue from other reconciling mechanisms such as the EE factor (D.P.U. 24-10, Exh. ES-1, at 11; D.P.U. 24-11, Exh. NG-1, at 12; D.P.U. 24-12, Exh. UN-KSCG-1, at 12; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 14-2; AG-WG-1, at 23-24). In setting meaningful caps, the Department must allow for sufficient flexibility to accommodate changes in planning and cost volatility, especially in an era of significant cost volatility due to economic circumstances beyond the Companies' control, but must also consider potential bill impacts and the burden on customers. Concerns relating to rising distribution rates and associated bill impacts recently influenced the Department's decision to reduce the budget for the three-year EE program for years 2025-2027 by $500 million. <u>2025-2027 Three-Year Plans</u> at 199-205. Our concerns remain as we contemplate establishing a new reconciling mechanism, albeit temporary. <u>See</u>, <u>e.g.</u>, 2024 Climate Act, §§ 98, 103; G.L. c. 25, § 19; G.L. c. 164, § 92B; <u>see</u> <u>also</u> Section VI.A.2.a.i., above. To mitigate these concerns, the Department directs the Companies to implement ESMPF annual revenue requirement caps based on annual base distribution revenues, plus future PBR adjustments, rather than on annual total revenues (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 14-2; DPU-Common 19-1, Att.).

To further mitigate potential bill impacts and ensure meaningful incentive for cost containment, the Department next evaluates the appropriate base distribution cap percentage for each company based on the record in each proceeding, consistent with Department precedent. <u>See</u>, <u>e.g.</u>, D.P.U. 17-90-A at 25-30; D.P.U. 10-114, at 68-69 ("[a]lthough the Department has previously approved on two occasions a one percent cap on the . . .- revenue requirement, such approvals were based on the records of those proceedings"); D.P.U. 10-55, at 131-133. Here, the Department finds it appropriate to establish an ESMPF annual revenue requirement cap percentage based on each company's anticipated revenue requirement during the first term deriving from the company's estimated revenue requirement attributed to ESMP investments eligible for recovery through the interim ESMP mechanism. The Companies each have different system characteristics, which vary significantly between their own service territories. ESMP Order at 16-27. These differing system characteristics impacted their load forecasts and demand assessments and, consequently, their portfolio of proposed ESMP investments, which varied significantly in breadth and cost (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 5-1; DPU-Common- 7-5; DPU-Common 13-2, Att.; Tr. 5, at 590). ESMP Order at 136. Based on these considerations and a review of each company's estimated revenue requirements for the upcoming term, a uniform cap for the Companies will not be meaningful to adequately control costs in each service territory, and the Department finds it appropriate to develop company-specific ESMPF annual revenue requirement cap percentages.

As a preliminary matter, for NSTAR Electric, after applying a downward adjustment for resiliency costs, the Department finds that a 1.0 percent base distribution revenue requirement cap including projected PBR adjustments is appropriate and will provide the company with sufficient revenue support to implement and deploy eligible ESMP investments while providing adequate ratepayer safeguards to ensure that electric rates remain within a reasonable range (see D.P.U. 24-10, Exhs. DPU 1-1 (b); DPU-Common 19-3; AG-Common 1-7). For National Grid, after excluding ineligible investments from the company's estimated revenue requirement calculations, the Department finds that a 2.5 percent base distribution revenue requirement cap including projected PBR adjustments is appropriate and will provide the company with sufficient revenue support to implement and deploy eligible ESMP investments while providing adequate ratepayer safeguards to ensure that electric rates remain within a reasonable range (See D.P.U. 24-11, Exh. DPU 1-1, Att. (13); RR-DPU-NG-5). For Unitil, after excluding ineligible investments from the company's estimated revenue requirement calculations for the ESMP term, the Department finds that a 3.0 percent annual revenue requirement cap based on base distribution revenues including PBR adjustments will provide the company with sufficient revenue support to implement and deploy eligible ESMP investments while providing adequate ratepayer safeguards to ensure that electric rates remain within a reasonable range (see D.P.U. 24-12, RR-DPU-FGE-4, Att. 2).[83]

Finally, to the extent that company spending in a given investment year exceeds the permissible ESMPF annual revenue requirement cap in a recovery year, the company may defer recovery of that excess revenue requirement to a subsequent ESMPF recovery year or to base distribution rates, as appropriate, if the Department has completed its prudency review of those costs. The Companies are not permitted to recover carrying charges on these deferred amounts, however, as discussed further below. See Section VI.C.2.a.ii.

C. Tariff Language and Cost Recovery Parameters

1. Introduction

In their Phase II filings, the Companies proposed an interim ESMP mechanism to recover the revenue requirement for eligible incremental ESMP investments, and each submitted a jointly developed model tariff and a company-specific exemplar tariff that identify the proposed

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[83] When asked to provide illustrative revenue requirements after removing projected costs associated with EV program and substation and distribution feeder investments, the company excluded costs associated with VVO, which the Department does not preclude from ESMPF recovery (D.P.U. 24-12, RR-DPU-FGE-4, Att. 1, Excel tab "Capex", line 30). To derive Unitil's projected revenue requirements inclusive of estimated costs for VVO investments, the Department utilized the capex and O&M amounts identified in attachment two to exhibit AG-Common 3-1 (see D.P.U. 24-12, Exh. AG-Common 3-1, Att. 2, Excel Capex tab, lines 30 & Excel O&M tab, line 20).

terms and conditions of the mechanism (D.P.U. 24-10, Exhs. ES-1, at 22-27; ES-2; ES-3; D.P.U. 24-11, Exhs. NG-1, at 23-28; NG-2; NG-3; D.P.U. 24-12, Exhs. UN-KSCG-1, at 23-26; UN-KSCG-2; UN-KSCG-3). The terms and conditions include, among other content: (1) definitions of terms used in the proposed tariffs; (2) parameters and timelines applicable to incremental O&M and capital investments eligible for recovery; (3) an ESMPF rate formula identifying how ESMPFs will be calculated in the annual filings; (4) terms providing for the recovery of carrying charges; (5) terms applicable to the proposed ESMP term spending cap and the ESMPF annual revenue requirement cap;[84] (6) a summary list of documentation to be included in the annual ESMPF cost recovery filings; and (7) identification of biannual ESMP report filing dates.

The Attorney General recommends that the Department deny recovery of carrying charges for any deferred costs and, for carrying charges applicable to ESMPF reconciliation balances, urges consistent application of the customer deposit rate (Attorney General Brief at 42-43). Further, the Attorney General urges that the mechanism conclude prior to the first ESMP term, suggesting that ESMP recovery be folded into each company's next base distribution rate proceeding, which are generally due to be filed prior to the end of the first ESMP term (Attorney General Brief at 46-47). The Attorney General also proposes parameters for the prudency review standards to apply to ESMP investments submitted for recovery, including that the need or basis for investments should not be based on projections deriving from the Commonwealth's CECP and 2050 Decarbonization Roadmap (Attorney General Brief

[84] The Department addresses the Companies' proposals relating to the ESMP term spending cap and the ESMPF annual revenue requirement cap in Section VI.B.2., above.

at 26-29). Rather, the Attorney General argues that prudency should be based on whether the investment was in service, needed/used and useful within the 2025 through 2029 timeframe to satisfy a system need, and yields benefits to customers (Attorney General Brief at 28-29). DOER urges that the interim ESMP mechanism be designed to sunset at the end of the first ESMP term and, also, be established as a standalone, non-bypassable charge (DOER Brief at 30-38). DOER supports the Attorney General's prudency review proposals and raises in its reply brief additional elements for the Department to consider in establishing the ESMP prudency review standard (DOER Reply Brief at 6-8). TEC urges the Department to adopt a demand-based rather than volumetric rate factor for the ESMPF, at a minimum, for G-3 customers (TEC Letter at 3-4).

The Companies oppose the Attorney General's recommendation to disallow the recovery of carrying charges for deferred spending, and National Grid argues that its carrying charges should be calculated using its PTRR (Companies' Joint Reply Brief at 7-9). The Companies endorse annual prudency reviews but oppose portions of the Attorney General's proposed prudency review standard, arguing that the proposal is counter to the purpose of the ESMP statute that the plans and underlying investments be proactive rather than to meet an immediate need like core investments (Companies' Joint Reply Brief at 10-11). In response to the Attorney General and DOER's recommendations to sunset the ESMPF, the Companies assert that the Department should not predetermine a sunset date until an alternative cost recovery framework is developed and the transition and implementation timeline is understood (Companies' Joint Reply Brief at 13). The Companies also oppose establishing the ESMPF as a demand-based rate (Companies' Joint Reply Brief at 9-10).

The Department addresses particular elements of the Companies' proposed tariff terms and conditions, as well as parties' arguments, below.

2. Analysis and Findings

a. Tariff Terms and Conditions

i. Definitions

(A) Eligible ESMP Investments

Through the current proposed tariffs, the Companies define "Eligible ESMP Investments" as "investments necessary to execute on the [c]ompany's ESMP, as approved by the Department in Phase I of Docket D.P.U. 24-[XX], to advance the Commonwealth's clean energy and electrification goals. . . ." (D.P.U. 24-10, Exh. ES-3, at 3; D.P.U. 24-11, Exh. NG-3, at 3; D.P.U. 24-12, Exh. UN-KSCG-3, at 4). In Section VI.A.2., above, the Department identifies ESMP investments eligible and ineligible for recovery through the mechanism. As a result, the Department determines that the first sentence for the definition of "Eligible ESMP Investments" in the tariff requires modification and directs the Companies to replace it with the following language: "ESMP investments that the Department has deemed eligible for recovery through the ESMPF."

With regard to National Grid, in Section VI.A.2.c.ii., above, the Department determines that costs associated with three EV highway charging substation projects identified by the company are eligible for recovery through the mechanism, subject to certain parameters. National Grid shall further modify its tariff definition of "Eligible ESMP Investments" to account for these three projects, consistent with our findings therein.

(B) Cross-Over Investments

The Companies request recovery of cross-over investments, defined as "costs incurred for the initiation of proactive and incremental ESMP investments to meet emerging forecasted needs that will have a planned in-service date beyond the active five-year plan period . . . " (D.P.U. 24-10, Exh. ES-3, at 2-3; D.P.U. 24-11, Exh. NG-3, at 2; D.P.U. 24-12, Exh. UN-KSCG-3, at 2-3). The Companies explained that, due to the planning, siting, permitting, and construction processes, the Companies will begin expending resources during the first ESMP term for projects that may not be in service until a subsequent ESMP term (D.P.U. 24-10, Exh. ES-1, at 9-10; D.P.U. 24-11, Exh. NG-1, at 10-11; D.P.U. 24-12, Exh. UN-KSCG-1, at 11-12). The Companies further explained that they expected investments to be reprioritized over the course of the term and may represent multi-year investments (D.P.U. 24-10, Exh. ES-1, at 9-10; D.P.U. 24-11, Exh. NG-1, at 11; D.P.U. 24-12, Exh. UN-KSCG-1, at 11).

The Department's long-standing precedent for cost recovery associated with plant items is that expenditures must be prudently incurred, and the resulting plant must be used and useful to ratepayers. See Western Massachusetts Electric Company, D.P.U. 85-270, at 20 (1986). Further, the Department's long-standing precedent for consideration of "in service" means that a project is operational and providing service to ratepayers. Massachusetts American Water Company, D.P.U. 95-118-A at 5 (1996); D.P.U. 85-270, at 60-63; Western Massachusetts Electric Company, D.P.U. 84-25, at 35-41 (1984). The Department finds that permitting recovery of costs for such cross-over investments violates the principle of recovery of plant investments that are used and useful to ratepayers. As such, the Department finds such investments to be ineligible for recovery through the interim ESMP mechanism. If certain eligible ESMP projects are ultimately placed in service after the ESMP term, then those costs may be submitted for review and recovery through the company's subsequent base distribution rate proceeding, consistent with the Department's treatment of prior grid modernization plan investments. See NSTAR Electric Company, D.P.U. 23-49, at 14-15, 21, 24 (2023); Second Grid Modernization Plans (Track 2) at 289-290; Second Grid Modernization Plans (Track 1) at 77, 89, 98, 111; Grid Modernization Order at 206, 216-217, 225, 226, 235 & n.117, citing D.P.U. 12-76-B at 20-25. The Companies shall modify their proposed tariffs accordingly.

ii. Carrying Charges

The Companies propose to apply carrying charges to reconciliation calculations and any deferral balances (D.P.U. 24-10, Exhs. ES-3, at 6, 9; D.P.U. 24-11, Exhs. NG-3, at 5, 8; D.P.U. 24-12, Exhs. UN-KSCG-3, at 8-9). NSTAR Electric and Unitil propose to apply carrying charges using the customer deposit rate, while National Grid proposes to apply carrying charges using its PTRR (D.P.U. 24-10, Exhs. ES-3, at 6, 9; DPU-Common 13-8; D.P.U. 24-11, Exhs. NG-3, at 5, 8; DPU-Common 13-8; D.P.U. 24-12, Exhs. UN-KSCG-3, at 8-9; DPU-Common 13-8). No intervenor contested the application of carrying charges on monthly reconciliation balances or the use of the customer deposit rate on those balances. The Attorney General does, however, oppose application of: (1) the PTRR on National Grid's monthly reconciliation balances; and (2) carrying charges on deferrals that exceed the ESMPF annual revenue requirement cap (Attorney General Brief at 42-43). National Grid counters that the nature of its ESMP investments warrants the application of the PTRR to monthly reconciliation balances because the scale of its proposed ESMP investments warrant external financing, the cost of which is more accurately reflected by National Grid's PTRR (D.P.U. 24-11, Exh. DPU-Common 13-8). The Companies maintain that prohibiting carrying charges on deferrals will discourage the companies from undertaking multi-year proactive investments (Companies' Joint Reply Brief at 8).

As a preliminary matter, the Department approves the use of carrying charges for monthly reconciliation balances related to the ESMPF revenue requirement, as such an approach is consistent with longstanding practice for annually reconciling mechanisms. Similarly, the Department finds the use of the customer deposit rate on such carrying charges to be reasonable and appropriate, and consistent with typical practice. With regard to National Grid's proposed application of the PTRR on carrying charges, the Department found all but three network and distribution feeder investments and additional investments to be ineligible for recovery through the ESMPF. Due to the corresponding reduction to National Grid's ESMP term spending cap, as well as the Department's revisions to National Grid's proposed ESMPF annual revenue requirement cap to further contain costs, the Department finds that National Grid's argument regarding reliance on the PTRR for carrying charges due to the scale of investments is rendered moot and, thus, rejects the company's proposal. As a result, the Department directs National Grid to modify its proposed ESMP tariff language to reflect the use of the customer deposit rate for ESMPF reconciliation balances.

Turning to the application of carrying charges on deferral balances, as noted above in Section VI.B.2., the Department has found that reconciling cost recovery mechanisms reduce and potentially eliminate the important incentive that regulatory lag provides to companies to maintain an appropriate balance between investing in capital improvements and incurring O&M

expenses beyond a representative level of O&M expenses already recovered through base distribution rates. See D.P.U. 23-150, at 45; Grid Modernization Order at 221-224; D.P.U. 15-155, at 55-56; D.P.U. 09-39, at 81. While the Department has permitted recovery of carrying charges on deferred costs in certain contexts, the Department has also found that allowing carrying charges on deferred costs pending their ultimate ratemaking treatment (e.g., recovery in the future through an annually reconciling mechanism or base distribution rates) incentivizes a company to spend in excess of a cap in anticipation of being made whole in future years, thereby weakening the incentive to control costs. See D.P.U. 13-90, at 15 (2014); D.P.U. 10-55, at 134-135. Moreover, granting a deferral does not signify that a company will be made whole for deferred costs, and the absence of carrying charges on deferred costs acts as a form of regulatory lag. D.P.U. 13-90, at 151-152; D.P.U. 10-55, at 135. Based on these considerations, the Department rejects the application of carrying charges on deferral balances to encourage prudent investment by the Companies and minimize adverse bill impacts to customers. As such, the Companies shall modify their proposed tariff language in accordance with these findings.

iii. Allocators

Each Company proposes to allocate its annual revenue requirement for cost recovery through the ESMPF to each rate class using the distribution revenue allocator ("DRA") established in the company's most recent base distribution rate proceeding (D.P.U. 24-10, Exhs. ES-1, at 26; ES-3, at 6; D.P.U. 24-11, Exhs. NG-1, at 27; NG-3, at 5; D.P.U. 24-12, Exhs. UN-KSCG-1, at 25; UN-KSCG-3, at 6). The final rate factor applicable to each rate class is determined by dividing the allocated revenue requirement by forecasted kWh sales for each rate class, as applicable (D.P.U. 24-10, Exhs. ES-1, at 26; ES-3, at 6; D.P.U. 24-11, Exhs. NG-1, at 27; NG-3, at 5; D.P.U. 24-12, Exhs. UN-KSCG-1, at 25; UN-KSCG-3, at 6).

The Department has previously directed that allocation factors for reconciling mechanism costs should be cost-based where cost causation was clear. D.P.U. 12-126-A at 7 (2013). In the absence of clear cost causation, the Department has permitted the Companies to apply a DRA. D.P.U. 12-126-A at 7. Where cost causation is clear, historically, various reconciling mechanism factors have employed different allocators depending on the type of costs being recovered. For instance, National Grid employed a rate base allocator for its capital tracking mechanism approved in D.P.U. 18-150 and employs an overhead line allocator for its vegetation management pilot provision. National Grid, M.D.P.U. No. 1417 (canceled) at 1-2; National Grid, M.D.P.U. No. 1563, at 3. For its current pension adjustment factor, NSTAR Electric employs a labor allocator. NSTAR Electric, M.D.P.U. No. 61F, at 2-3. Over the past decade, however, the Department has permitted the use of DRAs for multiple reconciling mechanisms, including grid modernization factors ("GMFs") and advanced metering infrastructure factors ("AMIFs"). See, e.g., D.P.U. 22-22, at 463-464; NSTAR Electric, M.D.P.U. No. 73K at 5, § 3.1; M.D.P.U. No. 80D at 5, § 3.1; National Grid, M.D.P.U. No. 1564, at 4, § 3.1; M.D.P.U. No. 1557, at 4-5, § 3.1; Unitil, M.D.P.U. No. 472, at 9, § 3.1.

In the instant proceedings, the Companies state that they each proposed to use a DRA because ESMP costs cannot be attributed to any particular class of customer (D.P.U. 24-10/ D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-4). The Department disagrees. While an exact level of precision may not be completely clear regarding cost causation, the Companies are at least able to categorize costs as capital and O&M (D.P.U. 24-10, Exhs. ES-2, at 2-4; ES-3, at 2-4; D.P.U. 24-11, Exhs. NG-2, at 2-4; NG-3, at 2-4; D.P.U. 24-12, Exhs. UN-KSCG-2, at 2-4; UN-KSCG-3, at 2-4). There are multiple allocators available from the Companies' most recent base distribution rate proceedings developed through their allocated cost of service studies ("ACOSS") that could be used to better reflect cost causation, such as plant and labor allocators. D.P.U. 23-150, at 478; D.P.U. 23-80/D.P.U. 23-81, at 368-369; D.P.U. 22-22, at 406.

The Companies also assert that the DRA reflects the cross-subsidization[85] that occurs in the rate design process related to caps placed on revenue requirement increases by rate class after considering the results of the ACOSS (Tr. 3, at 352-353). The Companies further argue that sharing capital and O&M costs through separate allocators would unnecessarily lead to a similar resulting distribution of costs to rate classes as applying a DRA to all costs by attempting to recreate what was established in a base rate proceeding (D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU-Common 13-4). The Department does not agree that cost allocation based on "similar" results should drive the decision to apply a DRA instead of more cost-reflective allocators. The Department finds it reasonable, however, to use the DRA for the ESMPF at this time given that this approach is consistent with existing reconciling rate factor tariffs currently in effect, including for the GMFs, which involve recovery for the same types of investments also eligible for recovery through the ESMPF (D.P.U. 24-10/D.P.U. 24-11/

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85 Cross-subsidization between rate classes may occur when establishing a company's base distribution revenue requirement to ensure no customer class experiences increases beyond ten percent in revenue requirement, but such class cross-subsidies must be eliminated over time on a revenue-neutral basis. See G.L. c. 164, § 92*I*; D.P.U. 23-150, at 479, 491; D.P.U. 22-22, at 407, 450-451; D.P.U. 23-80/D.P.U. 23-81, at 370, 384; Boston Gas Company, D.P.U. 20-120, at 485 (2021).

D.P.U. 24-12, Exhs. DPU-Common 13-4). NSTAR Electric, M.D.P.U. No. 73K at 5, § 3.1; National Grid, M.D.P.U. No. 1564, at 4, § 3.1; Unitil, M.D.P.U. No. 472, at 9, § 3.1.

While the Department approves the use of a DRA for now, the Companies should provide ample support for all costs requested for recovery in their annual filings, including documentation in support of categorizing costs as either capital or O&M.[86] The Department also finds that this issue requires further consideration and scrutiny. Therefore, the Department notifies the Companies that we anticipate exploring in their next base distribution rate proceedings whether the DRA is the most appropriate allocator for the interim ESMP mechanism, in particular, and for other mechanisms, generally. As a result, each company shall address the cost reflective aspects of allocators used in reconciling mechanisms in its next base distribution rate case filing.

iv. Costs Incurred Prior to July 1, 2025

In their Phase II filings, the Companies requested the ability to recover capital and incremental O&M costs incurred as of January 1, 2025, prior to the commencement of the first ESMP term, with the limitation that only capital investments placed in service after June 30, 2025 would be eligible for recovery through the mechanism (D.P.U. 24-10, Exhs. ES-1, at 8-9; ES-3, at 1, 3, 7; D.P.U. 24-11, Exhs. NG-1, at 9-10; NG-3, at 1, 3, 6; D.P.U. 24-12, Exhs. UN-KSCG-1, at 10; UN-KSCG-3, at 1, 3, 6-7). The Companies explained that allowing

86 For instance, the Department observes that National Grid identified certain FTE costs as capital costs in its breakdown of ESMP-related costs proposed for recovery (D.P.U. 24-11, Exh. DPU-Common 13-2, Att.). The company shall provide documentation and support for any capitalized labor and FTE costs submitted for recovery in its annual ESMPF filings.

them to recover pre-ESMP term costs would support their pre-mobilization efforts for implementing ESMP investments (D.P.U. 24-10, Exh. ES-1, at 8-9; D.P.U. 24-11, Exh. NG-1, at 9-10; D.P.U. 24-12, Exh. UN-KSCG-1, at 10). During discovery, the Companies identified estimated costs that they anticipated incurring from January 1, 2025 through June 30, 2025, and would submit for recovery through the mechanism, including IEP costs and, for National Grid and Unitil only, CESAG and other ESMP-related project costs (D.P.U. 24-10/D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU-Common 13-5; DPU-Common 15-2(b)). National Grid and Unitil both identified anticipated capital costs, and all three Companies identified anticipated O&M costs (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 13-5). National Grid and Unitil also conveyed that they intended to submit capital costs incurred prior to January 1, 2025, for certain ESMP investments expected to be placed in service after July 1, 2025 (D.P.U. 24-11/ D.P.U. 24-12, Exhs. DPU-Common 15-2(b)). No intervenor addressed the recovery of pre-term costs through the ESMPF.

In the ESMP Order at 144-146, the Department established July 1, 2025 as the start date for the inaugural ESMP term. The Department explained that the July 1 date would provide the Department sufficient time to investigate and establish the interim ESMP mechanism, review the associated tariffs, and provide the necessary lead time for the Companies to begin deployments on or about July 1, 2025. ESMP Order at 146. The Department also made clear that we intended to investigate in Phase II the investments to be deemed eligible for recovery through the mechanism. ESMP Order at 447; Phase II Procedural Notice at 3.

The Department has previously disallowed recovery of costs through a reconciling mechanism when the associated investments were placed in service prior to a clearly defined start date. See Boston Gas Company and Colonial Gas Company, D.P.U. 16-GREC-03, at 8-9 (2016). Here, National Grid and Unitil chose to pursue ESMP investments prior to the term start date and prior to any Department determination as to which investments would be eligible for recovery through the ESMPF. As a result, the Department finds that any capital projects placed in service and O&M costs incurred prior to the ESMP term start date are ineligible for recovery through the ESMPF.

The Department applies a limited exception to this finding, however. The Department will permit the Companies to seek recovery of incremental O&M costs associated with CESAG and IEP implementation, as these costs are directly a function of ramp-up associated with initiatives developed in response to specific Department directives. See Section VI.A.2.b. Therefore, incremental O&M costs incurred between January 1, 2025 and June 30, 2025 that are directly related to CESAG and IEP implementation are eligible for recovery through the ESMPF.

v. ESMP Term Spending Cap and ESMPF Annual Revenue Requirement Caps

As proposed, the Companies' tariff language includes text related to their specific proposed first ESMP term spending caps ($339.0 million, $2.2 billion, and $52.2 million for NSTAR, National Grid, and Unitil, respectively) and annual ESMPF revenue requirement caps of 3.0 percent of total revenue (D.P.U. 24-10, Exh. ES-3, at 9-10; D.P.U. 24-11, Exh. NG-3, at 8; D.P.U. 24-12, Exh. UN-KSCG-3, at 8-9). In consideration of the Department's findings and directives in Section VI.B.2., above, on these proposed caps, the tariff terms applicable to the proposed caps require revision. The first sentence of the section applicable to the first ESMP term spending cap shall be replaced with, "The amount of total cumulative spending toward Eligible ESMP Investments, inclusive of both capital and O&M spending, will be capped at the amount approved by the Department in docket D.P.U. 24-[XX]" and reflect the docket number applicable to the company. The remaining provisions applicable to the proposed caps shall otherwise be updated consistent with the Department's directives and reflected in the tariff compliance filing due on Monday, June 23, 2025.

vi. Documentation Requirements

In the Phase II Procedural Notice at 4, the Department directed the Companies to identify documentation to be submitted with the annual interim ESMP mechanism cost recovery filings and to propose corresponding language in their model and company-specific exemplar tariffs. In response, the Companies proposed to include the following documentation in their annual ESMPF filings: (1) full project documentation of all eligible ESMP investments, including capital investments recorded as in service during the prior ESMP investment year and allowable O&M expense, with a narrative providing justification that the costs are eligible for cost recovery; (2) supporting documentation demonstrating that costs for recovery are incremental, prudently incurred, and where applicable, in service, and used and useful; (3) any cost variances in relation to the budget estimates for that investment year and as defined in the company's capital authorization policies; (4) a demonstration that the ESMP mechanism adjustment does not exceed the cap on eligible ESMP investments and allowable ESMP O&M expense; (5) details on alternative funding sources obtained for the investments and the associated offset for such funding; (6) a summary of cumulative planned ESMP investments and estimated costs for the subsequent ESMP investment year as well as anticipated revisions to and reprioritization of proposed ESMP investments; (7) a discussion of alternative investments considered, including but not limited to NWAs; (8) the ESMP reconciliation; (9) a demonstration that the proposed

ESMPF is calculated appropriately; and (10) ESMPF-specific bill impacts (D.P.U. 24-10, Exhs. ES-1, at 13-14; ES-2, at 8-9; ES-3, at 10-11; D.P.U. 24-11, Exhs. NG-1, at 14; NG-2, at 8-9; NG-3, at 9; D.P.U. 24-12, Exhs. UN-KSCG-1, at 13-14; UN-KSCG-2, at 8-9; UN-KSCG-3, at 9-10). To ensure no duplicate work or cost recovery occurs for ESMP investments, the Companies explained they would establish dedicated lines of business or specific work authorizations to track ESMP costs (D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. DPU-Common 12-2; DPU-Common 20-3; Tr. 8, at 1133).[87] No intervenor specifically addressed the Companies' documentation proposals.[88]

The Department generally approves the Companies' documentation proposals. We further provide guidance on the types of documentation we expect to see in the Companies' annual cost recovery filings and direct corresponding modifications to the proposed tariff language. In particular, as discussed in section 8.1(1) of the proposed tariffs, the "[f]ull project documentation" of investments related to the requested revenue requirement submitted for recovery in the annual ESMPF filings shall include, but not be limited to: (1) a copy of the company's internal capital and project authorization policies and project authorization documentation, including any revisions and supplements, applicable to the investment year for the projects and investments submitted for recovery; (2) an itemized list in Excel format of

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87 National Grid also proposed to include documentation on consolidated bill impacts for its EV program factors effective on the same date (D.P.U. 24-11, Exh. NG-3, at 10).

88 The Attorney General did recommend project-specific documentation applicable to her proposed risk-informed cost-benefit analysis requirement for resiliency investments (Attorney General Brief at 3, 23, 30, 36). As discussed in Section VI.A.2.c.i., however, the Department declines to adopt the Attorney General's proposals for these investments.

invoices for capital expenses submitted for recovery that identifies and distinguishes between (i) the total project cost submitted for recovery and the total invoiced amounts, (ii) the dates of the invoices, vendor name, invoice number, associated ESMP investment category, and project name, and (iii) the project number(s), work order number(s), and line(s) of business, if applicable, assigned to the project by the company for internal accounting purposes; (3) copies of all external labor and contractor invoices for incremental O&M expenses submitted for recovery, as well as an itemized list in Excel format of invoices for those third-party O&M costs that identifies and distinguishes (i) between the cost submitted for recovery and the total invoiced amount(s), (ii) the dates of the invoices, vendor name, invoice number, associated ESMP investment category, and project name, and (iii) the associated project number(s), work order number(s), and line(s) of business, if applicable, assigned to the project by the company for internal accounting purposes; and (4) project-level cumulative costs incurred and submitted for recovery by year. The Companies shall each modify its proposed ESMPF tariff to reflect these requirements.

Cost variance documentation as identified in the tariff at section 8.1(3) shall include cost variance summaries at both the project and work order level between the company's initial cost estimates for a project versus actual spend. Cost variance documentation must be filed for the projects submitted for recovery in that investment year, separated by capital costs and incremental O&M costs. The Companies shall also each provide more detailed cost variance analyses, including explanations and supporting documentation, for projects with actual costs above the percentage relied on in the company's own internal project authorization policies/processes for conducting such analyses (i.e., ten or 15 percent variances between estimated and actual costs). To facilitate review of the Companies' cumulative ESMP spending variances, we direct the Companies to each provide with its annual ESMPF filings an Excel spreadsheet substantially similar to the data and format provided to inform its GMF filings submitted in calendar year 2023, except for references to preauthorized exhibits as those are inapplicable here. See NSTAR Electric Company, D.P.U. 23-49, Exh. DPU 4-1 & Att.; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-28, Exh. DPU 1-1 & Att.; Fitchburg Gas and Electric Light Company, D.P.U. 23-38, Exh. DPU 2-1 & Att. In accordance with the Department's instructions in the Phase II Procedural Notice at 4-5, the Companies included a provision in section 8.1(6) of their proposed ESMPF tariffs specifying that the annual ESMPF filings would include a summary of (a) cumulative planned ESMP investments and estimated costs for the subsequent ESMP investment year, and (b) anticipated revisions to and reprioritization of proposed ESMP investments (D.P.U. 24-10, Exh. ES-3, at 11, § 8.1(6); D.P.U. 24-11, Exh. NG-3, at 9, § 8.1(6); D.P.U. 24-12, Exh. UN-KSCG-3, at 10, § 8.1(6)). Because these summaries would be forward-looking and not directly related to the costs being submitted for recovery in the annual filings, the Department determines that such summaries are better addressed in the biannual ESMP reports, which are informational only. Therefore, each company shall modify section 8.1(6) to specify that it will provide a project-level summary of (a) cumulative costs incurred for eligible ESMP investments for each ESMP investment year, and (b) estimated versus actual costs incurred. Documentation for these summaries shall be submitted in the format discussed above. The Department will otherwise address requirements relating to the Companies' biannual ESMP reports prior to the September 30, 2025 initial filing date. See ESMP Order at 476.[89]

Regarding the Companies' proposed language for section 8.1(4) that they provide "a demonstration that an ESMP mechanism adjustment does not exceed the cap . . .", it is unclear to the Department what the "ESMP mechanism adjustment" refers to. In consideration of our ESMP term spending and revenue requirement cap directives and instruction to modify their proposed tariffs accordingly (see Section VI.B.2. and Section VI.C.2.a.v.), we direct the Companies to each modify section 8.1(4) to align with the language to be updated in section 7.0 applicable to the caps.

With regard to documentation demonstrating that eligible ESMP investments are incremental as noted in section 8.1(2), the Department observes that several investments and projects deemed eligible for recovery through the interim ESMP mechanism by the Department overlap with and/or are substantially similar to work performed and recovered by the Companies through other mechanisms or base distribution rates. While the Companies will each assign dedicated lines of business or specific work authorizations to track ESMP investments for internal accounting purposes, which will limit the potential for double recovery, the Department directs the Companies to provide additional documentation or information for specific projects and investments to facilitate our annual review and demonstrate that the costs submitted for recovery are incremental and not duplicative of costs recovered through other avenues. For

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89 On May 7, 2025, the Department established the procedural schedule for addressing ESMP metrics and reporting. D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Hearing Officer Memorandum at 2 (May 7, 2025).

instance, a six-month overlap in 2025 exists between the Companies' second grid modernization terms, which conclude on December 31, 2025, and the current ESMP term, which commences on July 1, 2025. Certain grid modernization projects, e.g., DERMS and VVO, are eligible for recovery under both the GMF and the ESMPF for this period (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 337-338, 451; DPU 1-1, at 2 & Att. (f); DPU-Common 13-2, Att.; DPU-Common 15-2, at 4; D.P.U. 24-11, Exhs. NG-ESMP-1 (Corrected) at 23, 260, 264-266, 374; DPU 1-1, Atts. (8), (14); DPU-Common 13-2, Att.; D.P.U. 24-12, Exhs. UN-ESMP-1 (Corrected) at 14, 18, 128-131, 176; DPU 1-1, at 2-5 & Atts. (1), (3)-(10); DPU-Common 13-2, Att.). ESMP Order at 146; Second Grid Modernization Plans (Track 2) at 159-162, 175-177, 190-191, 289; Second Grid Modernization Plans (Track 1) at 77, 89-90, 98-99, 112. As a result, to demonstrate that continuing grid modernization projects and costs submitted for recovery through the ESMPF for the 2025 investment year are incremental to grid modernization projects and costs submitted for recovery through the GMF for the same period, each company shall either confirm in its ESMPF filing that it does not seek recovery of continuing grid modernization investments during the 2025 investment year, or the company shall submit a chart providing location-specific information (by circuit numbers served and substation location) distinguishing between continuing grid modernization projects, e.g., DERMS and VVO, placed in service and submitted for recovery through the GMF versus the ESMPF for the 2025 investment year.

Similarly, in D.P.U. 24-10, the record reflects that NSTAR Electric may incur ESMP-related resiliency tree work ("RTW") costs in the same investment year as it incurs RTW costs under its existing RTW program collected through its RTW factor ("RTWF") and routine vegetation management costs generally recovered through its base distribution rates (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 622-623; DPU-Common 13-2, Att.). See D.P.U. 22-22, at 284-306; D.P.U. 17-05, at 563-593; NSTAR Electric, M.D.P.U. No. 72E. As a result, as directed in Section VI.A.2.c.i., above, to the extent that NSTAR Electric submits RTW costs for recovery through the ESMPF and to demonstrate that those costs are incremental, the company shall submit a chart listing, during the ESMP investment year, the circuits on which: (1) RTW was performed for purposes of ESMP resiliency investments, (2) RTW was performed under the company's RTW program and recovered through the RTWF, and (3) routine vegetation work was performed.

Further, in D.P.U. 24-11, the record reflects that National Grid will allocate costs between the EE program and the ESMP interim mechanism for its Clean Energy Platform 2.0 project (D.P.U. 24-11, Exh. DPU 1-1, Att. (13)). To facilitate our review, the Department directs National Grid in its annual ESMPF cost recovery filings to identify, explain, and provide support demonstrating how Clean Energy Platform 2.0 costs are allocated between ESMP and other cost recovery mechanisms.

With regard to alternative investments considered, the Companies each proposed to include in its ESMPF cost-recovery filings documentation demonstrating that it reasonably considered potential alternative, lower cost investments as part of its decision-making process (D.P.U. 24-10, Exh. ES-1, at 15-16; D.P.U. 24-11, Exh. NG-1, at 15-17; D.P.U. 24-12, Exh. UN-KSCG-1, at 15-16). In the ESMP Order at 307-308, the Department explained that more comprehensive alternatives analyses for certain ESMP investments may be appropriate when those investments are submitted to the Department for review for purposes of prudence and cost recovery. The proposed tariff language in section 8.1(7), however, provides that cost recovery filings will include only a discussion of alternative investments considered (D.P.U. 24-10, Exh. ES-3, at 11, § 8.1(7); D.P.U. 24-11, Exh. NG-3, at 10, § 8.1(7); D.P.U. 24-12, Exh. UN-KSCG-3, at 10, § 8.1(7)), which is insufficient for the Department to fulfill its responsibility to ensure that the Companies are pursuing the lowest cost solution for customers. To ensure the documentation and/or discussion of alternatives is sufficient to facilitate our review, the Department directs each company to include the following project-level information in its ESMPF cost recovery filings: (1) an explanation of how consideration of alternatives is integrated into the company's internal capital authorization policies/project authorization policies, and how those considerations apply to the projects identified in the filing; (2) an explanation of alternatives considered, if any, during the planning phase for all relevant projects (capital and non-capital) identified in the filing; (3) if the company has conducted a more comprehensive alternatives analysis for particular investments, then documentation should include, if available: (i) a comparison of costs and project schedules for the investment and/or location selected versus the alternatives considered; (ii) a discussion of risks and risk mitigation plans conducted for the selected investment versus the alternatives considered; (iii) a description of the methodology and assumptions used to select the investment instead of the evaluated alternatives; and (iv) identification of any uncertainties in the analysis; and (4) if the company has not conducted a more comprehensive alternatives analysis for particular investments, then an explanation for not doing so. The Companies shall each modify section 8.1(7) to reflect these documentation requirements.

Finally, the Companies shall each comply with the documentation requirements identified elsewhere in this Order applicable to the annual ESMPF cost recovery filings and modify its proposed ESMPF tariffs accordingly.

vii. Additional Considerations

DOER recommends that the ESMPF be treated as a non-bypassable charge, similar to the existing EV program factor and certain other factors (DOER Brief at 37). The Companies did not address this proposal. Given that net metering customers benefit from ESMP-related investments and consistent with existing EV program cost recovery mechanisms, the Department finds DOER's proposal reasonable and directs that the ESMPF shall be excluded from net metering credits. See 220 CMR 18.04; D.P.U. 21-90/D.P.U. 21-91/D.P.U. 21-92, at 195; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 17-13, at 61 (2018).[90] The Companies shall modify their proposed ESMPF tariffs accordingly.

TEC urges the Department to adopt a demand-based rate for the ESMPF, which the Companies oppose (TEC Letter at 3-4; Companies' Joint Reply Brief at 9-10). The Department finds merit in TEC's request to adopt a demand-based rate rather than a per kWh rate, but similar to the decision to accept the currently proposed DRA for the allocation of costs to rate classes, at this time, we approve the proposed per kWh rate as it is consistent with the GMF and AMIF. Similar to the directive above for the Companies to address cost-reflective allocators used in reconciling mechanisms in their next base distribution rate proceedings, the Department

90 Unlike the EV program factors, the Department does not require the ESMPFs to be billed as separate line items. See 220 CMR 18.04; D.P.U. 21-90/D.P.U. 21-91/D.P.U. 21-92, at 195.

anticipates investigating a demand-based rate in each company's next base distribution rate proceeding or in any rate reform proceeding that the Department may initiate.

Finally, the Attorney General and DOER each urge that the Department establish a sunset date for the interim ESMP mechanism (Attorney General Brief at 46-47; DOER Brief at 35). The Department declines to accept this recommendation now. As designed and reflected in the Companies' proposed tariffs and the Department's findings herein, except for carry-over, IEP, and CESAG costs, and for National Grid, three EV highway charging substation projects, only eligible first term ESMP investments incurred or placed in service before the term end date may be recovered through the ESMPF. As a result, the proposed tariffs effectively already include a sunset provision. Moreover, the Department has made clear that we intend to investigate in a separate proceeding longer-term cost recovery solutions for ESMP investments through base distribution rates. ESMP Order at 444, 447. Until that investigation is resolved, it would be premature to formally identify a sunset date for the interim ESMP mechanism.

b. Annual Prudency Reviews

In the Phase II Procedural Notice at 6, the Department instructed the Companies to address whether the Department should conduct annual prudency reviews for the interim ESMP mechanism filings rather than an end-of-term review. The Companies proposed annual prudency reviews to permit the Department to provide timely feedback on investments and more regulatory certainty for the Companies to pursue ESMP investments (D.P.U. 24-10, Exh. ES-1, at 19; D.P.U. 24-11, Exh. NG-1, at 21; D.P.U. 24-12, Exh. UN-KSCG-1, at 20). The Attorney General and DOER support annual prudency reviews (Attorney General Brief at 29; DOER Brief at 35). Accordingly, the Department will conduct a prudency review on each annual ESMPF filing, rather than an end-of-term review.

For purposes of our annual reviews, the Attorney General argues that prudency should be based on whether the investment was in service, needed/used and useful within the first term to satisfy a system need, and yielding benefits to customers (Attorney General Brief at 28-29). DOER supports the Attorney General's prudency review proposals and specifies in its reply brief additional elements for the Department to consider in establishing an ESMP prudency review standard (DOER Reply Brief at 6-8). The Companies oppose portions of the Attorney General's proposed prudency review standard, arguing that the proposal is counter to the purpose of the ESMP statute that the plans and underlying investments respond proactively to anticipated needs rather than necessary to meet immediate needs, like core investments (Companies' Joint Reply Brief at 10-11). The Companies explain that they propose to recover the costs of ESMP investments when the infrastructure is in service and used by customers (Companies' Joint Reply Brief at 11). The Companies raise due process concerns with DOER's decision to include new proposals relating to prudency reviews in its reply brief (Companies' May 21, 2025 Letter at 1-2).

In resolving the parties' dispute on this issue, the Department looks first to the ESMP statute as a guide. This provision expressly permits the Companies to include prudently incurred plant additions in base distribution rates if the additions are used and useful, but it does not provide any other express parameters for cost recovery. See G.L. c. 164. § 92B; ESMP Order at 441. The statute also requires that the ESMPs must be proactive and, effectively, forward-looking to meet the criteria enumerated in subsection (a), rely in part on a longer-term demand assessment through 2050 to account for future trends, and include proposed investments that support greater reliability, communications, and resiliency, increased enablement of DERs, and increased electrification, and preparation for climate-driven impacts, among other requirements. G.L. c. 164, § 92B(a), (c)(i), (e). Consistent with the statute's requirements, the Companies relied on their demand assessments, in conjunction with their shorter-term forecasts, to inform their proposed ESMP investments (D.P.U. 24-10, Exhs. ES-1, at 15, 21; ES-Policy/Solutions-1 at 47-48, 91; D.P.U. 24-11, Exhs. NG-1, at 15, 23; NG-Policy/Solutions-1 (Corrected) at 59-60, 68, 113, 121-122; D.P.U. 24-12, Exhs. UN-KSCG-1, at 15, 22; UN-Policy/Solutions-1, at 54-55, 66; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, Exhs. AG-Common 2-1; DOER-Common 6-7; Tr. at 80, 85-87; Tr. 6, at 853-859). ESMP Order at 58, 129-132. These investments are not necessary for the Companies to meet their core public service obligations and business needs in the near term; rather, ESMP investments are specifically geared towards meeting future needs. As a result, the Department declines to require that ESMP investments meet a need during the initial ESMP term to be eligible for a prudency determination and cost recovery, since such an approach would be contrary to the requirements and intent of G.L. c. 164, § 92B.

At the same time, the Department's longstanding standard for prudency, particularly for capital additions, requires that expenditures be prudently incurred, with the resulting plant used and useful and providing benefits to ratepayers. D.P.U. 23-150, at 179-180; D.P.U. 23-80/ D.P.U. 23-81, at 103-104; D.P.U. 22-22, at 133-134; D.P.U. 85-270, at 20. The prudence test determines whether cost recovery is allowed at all, while the used and useful analysis determines the portion of prudently incurred costs on which the utility is entitled to a return. D.P.U. 85-270, at 25-27. The Department has also applied prudency requirements to non-capital investments. See, e.g., D.P.U. 23-80/D.P.U. 23-81 (recovery of rate case expenses allowed if reasonable, appropriate, and prudently incurred); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 19-113, at 9-10 (2023) (for recovery of storm fund-eligible costs, the costs must be storm-related, incremental, reasonable, and prudently incurred); D.P.U. 22-22, at 170-171 (for employee service award costs to be eligible for recovery, a company must demonstrate that the costs benefit Massachusetts ratepayers, are reasonable, and prudently incurred); D.P.U. 19-144-A at 19-20 (prudency standard applicable to the review of incremental O&M vegetation management pilot costs). For reconciling mechanisms, the Department typically conducts our prudency review outside of a base distribution rate proceeding, but the same standard applies and, if found prudent, those capital investments may be incorporated into the company's rate base in its next base distribution rate proceeding without revisiting whether those investments were prudently incurred. See, e.g., D.P.U. 23-150, at 612-613 (allowing into rate base without revisiting prudency an in-service company-owned solar generation facility investment already reviewed by the Department in a reconciling mechanism proceeding). Accordingly, consistent with longstanding practice and the cost recovery parameters identified in G.L. c. 164, § 92B, the Department requires the Companies to demonstrate in their annual ESMPF cost recovery filings that the costs submitted for recovery are reasonable and prudently incurred[91] and, for plant investments, are used and useful to ratepayers.

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[91] The Department's standard of review on prudency involves a determination of whether the company's actions, based on all that it knew or should have known at that time, were reasonable and prudent in light of the existing circumstances. Such a determination may not properly be made on the basis of hindsight judgments, and it is not appropriate for the

The parties do not generally dispute that the Companies must demonstrate the reasonableness and prudency of investments, or to require that capital investments be used and useful for purposes of cost recovery. There is some dispute between the Attorney General and the Companies, however, involving whether the Companies must demonstrate benefits for projects submitted for recovery. To qualify as used and useful, the assets underlying capital costs incurred must be in service (used) and providing net economic benefits to ratepayers (useful). D.P.U. 85-270, at 60-107. As reflected in Section VI.A.2.c.i., above, the Department declines to apply a more stringent, project-level risk-informed cost-benefit analysis to resiliency investments; rather, the Department directed the Companies to demonstrate the cost effectiveness of their targeted resiliency investments at the time they submit those investments for prudency review and cost recovery. Similarly, the Department declines to require a cost-benefit analysis for each project, or to require net benefits for a project to be eligible for recovery through the ESMPF, unless such a project meets the requisite threshold to conduct such an analysis under the company's capital authorization policies or is a major infrastructure project. See Boston Gas Company, D.P.U. 93-60, at 27-28, 35-36 (1993). The Department otherwise requires the Companies to demonstrate through reviewable documentation how their customers benefit from the investments submitted for recovery and how the company sought to contain the overall cost of the project. D.P.U. 23-150, at 180-184; Plymouth Water Company, D.P.U. 14-120, at 34-35 (2015); D.P.U. 93-60 at 36 n.13. The Companies otherwise risk disallowance of ESMP costs for

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Department to substitute its own judgment for the judgments made by the management of the company. Attorney General v. Department of Public Utilities, 390 Mass. 208, 229 (1983).

recovery. The Department also reiterates that we are not pre-approving or preauthorizing any ESMP-related investments. As a result, the Department may review whether the Companies should have pursued particular ESMP investments. See Second Grid Modernization Plans (Track 2) at 194; Grid Modernization Order at 110, 220; D.P.U. 16-104, at 21.

Further, as noted above, the cost estimates utilized to establish each company's ESMP term spending cap are preliminary or conceptual. For investments deemed eligible for recovery by the Department, the Companies will refine those estimates based on final scope, more detailed engineering and designs, and actual vendor quotes before seeking approval through their internal project authorization processes to begin implementing those investments (D.P.U. 24-10, Exhs. ES-ESMP-1 (Corrected) at 83; DPU 1-1; AG 4-20, Att.; D.P.U. 24-11, Exhs. DPU 1-1; AG 1-10, Att.; D.P.U. 24-12, Exh. DPU 1-1). Once cost estimates are further refined and the company pursues the project in compliance with its internal authorization policies, to the extent that actual capital costs at the project level materially exceed the company's estimates, the company will need to demonstrate when the costs are submitted for recovery that the increases were outside the company's control and consistent with market conditions. See, e.g., Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 21-104-A at 18-19 (2023); NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 16-105 at 30 (2016). Because many of the ESMP investments involve newer technologies and processes, if the company determines during later stages of its evaluation or analysis and implementation of a project that it would not be prudent to proceed with the project as initially planned, the company should refrain from further implementation or take other appropriate actions, as necessary. See D.P.U. 17-05, at 463 n.225 (applying this standard to a proposed ESS project); Bay State Gas Company, D.T.E. 05-27, at 197-200 (discussing early retirement and replacement by company of meter reading technology due to high failure rates and diminished technical support, and discussing why initial and subsequent costs were prudent); see also D.P.U. 19-113, at 27-31 (a company may not seek to recover costs from its customers that a third-party is contractually obligated to pay under the terms of an agreement involving jointly-owned facilities, unless the company has taken all reasonable and prudent steps to recover those costs); D.P.U. 17-05, at 598-599 (same).

Finally, DOER and the Companies dispute the procedural integrity of details that DOER proposes for the prudency review standard. The Companies assert that DOER improperly introduces new evidence and proposals for the first time on reply brief, in violation of the Companies' due process rights (Companies' May 21, 2025 Letter at 1-2). DOER counters that the Companies' letter is itself procedurally deficient in that the Companies failed to file a motion to strike and, further, that its statements on reply brief did not present extra-record evidence (DOER June 4, 2025 Letter at 1-3). Rather, DOER maintains that in response to the arguments made by the Attorney General on brief, the agency simply raised five bullet points to consider for the prudency reviews applicable to investments to be submitted for recovery through the ESMPF (DOER June 4, 2025 Letter at 2).

As a preliminary matter, the Department finds that we need not address either post-brief filing, because neither party has raised good cause for the Department to consider either filing. Moreover, neither filing is necessary for the Department to resolve issues appropriately raised during the course of the proceedings. As no party would be prejudiced by either post-brief filing, however, we decline to strike either filing and otherwise exercise our discretion to address the arguments raised by both parties.

Specifically, the Department agrees that DOER's proposals are not new evidence. We find, however, that several of the recommendations identified in DOER's reply brief would have been better explored through Phase II discovery consistent with the scope of issues identified by the Department for exploration in the Phase II Procedural Notice. Indeed, the parties were on notice that the Phase II investigation included consideration of the prudency review framework to apply to ESMP investments eligible for recovery through the interim ESMP mechanism. Phase II Procedural Notice at 5, 6. There is an insufficient record in these proceedings to appropriately evaluate the proposals DOER specifies in its reply brief, and the Companies should have had an opportunity to respond. See D.P.U. 21-90/D.P.U. 21-91/D.P.U. 21-92, at 162; Boston Gas Company and Colonial Gas Company, D.P.U. 10-151, at 35 (2011); D.P.U. 10-55, at 140; Massachusetts-American Water Company, D.P.U. 95-118, at 143 (1996).[92] The Department takes this opportunity to emphasize to parties the importance of introducing

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[92] We observe, however, that DOER's proposal for the Companies to demonstrate that investments submitted for recovery through the ESMPF are not also being recovered through other mechanisms is a common consideration by the Department for cost recovery purposes. See, e.g., D.P.U. 22-22, at 273-274, 298; Second Grid Modernization Plans (Track 2) at 292-296; D.P.U. 19-144-A at 19, 21; D.P.U. 16-105, at 34; Bay State Gas Company, D.P.U. 14-134, at 17 (2015). A basic requirement for any reconciling mechanism is that costs submitted for recovery must be incremental to, and not duplicative of, costs recovered through base distribution rates or other mechanisms. The Companies have already committed to submitting documentation in their annual ESMPF filings that demonstrates the costs submitted for recovery are incremental (D.P.U. 24-10, Exh. ES-3, at 10, § 8.1.(2); D.P.U. 24-11, Exh. NG-3, at 9, § 8.1(2); D.P.U. 24-12, Exh. UN-KSCG-3, at 10, § 8.1(2)). The Department addresses documentation requirements for the annual filings in Section VI.C.2.a.vi., above.

substantive proposals as early as possible in the adjudicatory process to ensure that sufficient evidence is on the record to support Department action.[93] In sum, we decline to accept DOER's prudency recommendations on this record. The Department reiterates, however, our intent to investigate a long-term cost recovery framework for ESMP investments in a future proceeding, where such prudency proposals may be raised by DOER and other parties in a more timely manner.

VII. COMPLIANCE FILINGS

The Companies shall each submit two, separate compliance filings in accordance with the directives contained within this Order, each for Department consideration and approval. First, the Companies shall confer and each submit within five (5) business days of this Order, i.e., Monday, June 23, 2025, a modified proposed ESMPF tariff for effect July 1, 2025. The Companies shall submit clean and redlined versions of the proposed tariff to facilitate the Department's review. The redlines shall be applied to each company's exemplar tariff.

Second, within ten (10) business days of this Order, i.e., Monday, June 30, 2025, the Companies shall each submit a modified proposed ESMP term spending cap, adjusted to reflect the Department's directives herein. This compliance filing shall include supporting documentation that reflects how the company recalculated the proposed cap, including an Excel spreadsheet for applicable projects and investments consistent with the format utilized in the attachment to Exhibit DPU-Common 13-2 provided by NSTAR Electric and National Grid in

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93 The parties can be assured that the Department will afford inadequately supported proposals the limited weight they are due. At the same time, extraneous arguments that conflate evidence with proposals and legal arguments are unwarranted and a needless drain on resources.

their proceedings. The Excel spreadsheet shall also include a column identifying the source and/or record cites for each line item amount listed within the document. The Companies shall also provide documentation and calculations explaining necessary adjustments and modifications for adjustments related to IEP, CESAG, and FTE costs, where applicable.

VIII. ORDER

After due notice, hearing, and consideration, it is

ORDERED: That the interim Electric Sector Modernization Plan cost recovery proposals filed by NSTAR Electric Company d/b/a Eversource Energy, Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, and Fitchburg Gas and Electric Light Company d/b/a Unitil, are APPROVED in part and DENIED in part, consistent with and subject to the directives contained herein; and it is

FURTHER ORDERED: That NSTAR Electric Company d/b/a Eversource Energy, Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, and Fitchburg Gas and Electric Light Company d/b/a Unitil shall each file a compliance tariff filing within five (5) business days of the date of this Order; and it is

FURTHER ORDERED: That NSTAR Electric Company d/b/a Eversource Energy, Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, and Fitchburg Gas and Electric Light Company d/b/a Unitil shall each file a compliance filing involving the company’s Electric Sector Modernization Plan term spending cap within ten (10) business days of the date of this Order; and it is

FURTHER ORDERED: That NSTAR Electric Company d/b/a Eversource Energy, Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid, and Fitchburg Gas and Electric Light Company, d/b/a Unitil shall each comply with all other directives contained in this Order.

By Order of the Department,

James 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.