

## GMAC Members:

Fitchburg Gas and Electric Light Company d/b/a Unitil, Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid, and NSTAR Electric Company d/b/a Eversource Energy (collectively, the “EDCs”) submit this letter in response to some of the preliminary feedback that the EDCs have received to date from voting members of the Grid Modernization Advisory Council (“GMAC” or “Council”) in relation to the initial Electric Sector Modernization Plans (“ESMPs”) submitted to the GMAC on September 1, 2023. Given that this is the initial cycle of the ESMP stakeholder process, the preliminary feedback has been very helpful to identify areas of the ESMPs that would benefit from clarification, additional detail and/or the presentation of summary information. Specifically, the GMAC’s consultant and individual GMAC councilors have requested clarification from the EDCs regarding the incremental electrification, distributed energy resource (“DER”), and resiliency enabling infrastructure investments that the EDCs plan to include in their respective ESMPs, when submitted for review by the Department of Public Utilities (“Department”) on January 29, 2024.

The current GMAC schedule contemplates meetings on November 9, 2023, and November 16, 2023, to discuss the Council’s final recommendations to the Department, with such recommendations to be issued on November 20, 2023. In response to the preliminary feedback seeking greater clarity from the ESMPs, and in anticipation of the GMAC’s discussion of final recommendations, the EDCs have developed Attachments A to this letter. Attachment A provides a summary of the EDCs’ respective infrastructure investment categories and investment projects, along with citations to the ESMPs (as submitted on September 1, 2023), and estimated costs. The EDCs will also be submitting separate correspondence this week addressing their current efforts to perform net-benefit analyses for their incremental infrastructure investments.

In addition, the EDCs offer their perspective on the role of the GMAC with respect to their planned infrastructure investments, and the potential process that the EDCs contemplate may be adopted by the Department in relation to its review and approval of the EDCs’ ESMPs, once submitted on January 29, 2024. In short, the GMAC is created pursuant to G.L. c. 164, § 92C (“Section 92C”) to carry out the duties delineated in Section 92C(b) and G.L. c. 164, § 92B(d) (“Section 92B”) to provide “review and provide recommendations,” or alternatively, to provide “review, input and recommendations” to the EDCs regarding their short-term and longer-term “plans” to facilitate electrification, DER-enablement, and system resiliency (referencing Sections 92C(d) and Section 92B(d)), respectively. There is no statutory grant of authority to the GMAC that has it stepping into the shoes of the Department to regulate the EDCs or to render final decisions on the necessity, propriety, or prudence of any particular investment category or investment undertaken by the EDCs. Instead, Section 92C creates an innovative, collaborative stakeholder process that puts the GMAC in an advisory role, providing analytical review, input, and recommendations on the short and long-term plans that the EDCs have developed for their individual systems to meet the Commonwealth’s electrification, DER enablement and system resiliency objectives.

Without qualification, the EDCs seek to obtain meaningful review, input, and recommendations from the GMAC on the matters delegated to the GMAC by statute. The EDCs have each attempted to put forward transparent and innovative ESMPs that individually and

collectively will serve the needs of the Commonwealth's clean energy policy goals, and all EDCs look forward to learning and integrating input from the GMAC.

Ultimately, the EDCs will present their ESMPs to the Department by January 29, 2024, so that the Department is able to exercise its authority to approve, modify, or reject the plans as envisioned by Section 92B. It is the EDCs' expectation that the Department will exercise its jurisdiction to approve, modify, or reject the ESMPs on the basis of a finding that the respective ESMP meets the criteria delineated in Section 92B for furthering clean energy objectives.

- **Proposed Incremental Infrastructure Investments for 2025-2029**

Attachment A provides a table listing the EDCs' proposed incremental infrastructure investments for the 2025-2029 plan term. The table includes a list of infrastructure investment categories, specific investments, citations to the ESMPs for the narrative describing such infrastructure investments, and estimated costs.

- **Electrification, DER-Enablement, and Resiliency Infrastructure Investments Currently Approved by Department**

Each EDC has included in Section 6 of their respective ESMP the current infrastructure investments supporting electrification, DER-enablement, and system resilience. In addition, each EDC has a robust suite of infrastructure investments supporting system reliability, presented in Section 10.2. These infrastructure investment categories in Section 6 and 10 have already been reviewed by the Department for prudence in a base-rate proceeding or are included in Department-approved budgets for infrastructure investments to be made during part or all of the 2025-2029 term. These infrastructure investment categories have been included in the ESMPs to provide information to the GMAC regarding infrastructure investments already underway to meet the EDC's obligation to provide safe and reliable electric service to customers, and to address the electrification, DER-enablement, and future resiliency needs for the EDCs customers. These infrastructure investments are also included in Attachment A.

- **EDC Reliability and Public Policy Obligation Infrastructure Investments**

The EDCs have substantial obligations imposed by law to assure the safety, reliability, and resiliency of their respective distribution systems. These distribution systems constitute franchise territories that are exclusive and are defined primarily by municipal boundaries pursuant to the Massachusetts Electric Restructuring Act of 1997. *See*, G. L. c. 164, § 1B (a), stating, a "[s]ervice territory" is defined by law as "the geographic area in which a distribution company provided distribution service on July 1, 1997." G. L. c. 164, §§ 1, 1B (a). Each distribution company assumes an obligation to provide service to all customers within its assigned territories. G. L. c. 164, § 1B (a).

To meet their public-service obligation, the EDCs develop system planning criteria and technical standards designing an efficient and reliable electric distribution (and transmission) system that provides the quality of service expected by customers. As a regulated utility, each EDC has an obligation to provide reliable service in accordance with applicable safety codes and regulatory requirements. The basic goal is to provide orderly, economic expansion of equipment and facilities to meet future system demand with acceptable system performance. The key

objectives include: building sufficient capacity to meet instantaneous demand; satisfying power quality/voltage requirements within applicable standards; providing adequate availability to meet customer requirements; and delivering power with the required frequency.

In addition, the EDCs have obligations to implement the Commonwealth's public policy goals, including electrification, DER-enablement, and improved resilience.

- **Role of the Department**

**System Reliability Infrastructure Investments.** Given their fundamental legal obligations, the EDCs invest in system reliability without specific authorization from the Department, unless otherwise required by statute or Department precedent to obtain Department approval prior to incurring the cost of such infrastructure investments. With regard to infrastructure investments to maintain or improve system reliability, these infrastructure investments are included in annual system reliability reports to the Department and reviewed for informational purposes in dockets annually. Recovery of the costs of the investment is allowed only on a retrospective basis, *i.e.*, after the money is spent, regardless of the ratemaking mechanism that is authorized by the Department for recovery of associated capital investments. This retrospective view is applied in the context of a prudence review, which is typically conducted by the Department prior to allowing the cost of capital projects to be recovered through rates. This retrospective view imposes a strong incentive for cost control and rigorous oversight by the EDCs. EDCs make infrastructure investments in system reliability at risk of not receiving cost recovery through the applicable ratemaking mechanism if the Department determines that such investments were not prudent.<sup>1</sup>

**Public Policy Infrastructure Investments.** For public policy obligation infrastructure investments, such as electric vehicle charging programs, grid modernization programs, and DER-enablement projects such as Capital Investment Projects to facilitate interconnection of distributed generation, the Department has required the EDCs to submit testimony supporting such programs, with proposals for cost recovery, prior to the EDCs investing in such efforts.

**ESMPs.** The ESMPs include potential infrastructure investments **incremental** to those noted in Attachment A that are required by G.L. c. 164, § 92B(a) designed to proactively upgrade the distribution and, where applicable, transmission systems to:

- (i) improve grid reliability, communications and resiliency;
- (ii) enable increased, timely adoption of renewable energy and distributed energy resources;
- (iii) promote energy storage and electrification technologies necessary to decarbonize the environment and economy;

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<sup>1</sup> A prudence review involves a determination of whether the utility's actions, based on all that the utility knew or should have known at that time, were reasonable and prudent in light of the extant circumstances. Massachusetts Electric Company et. al, D.P.U. 18-150, at 140.

- (iv) prepare for future climate-driven impacts on the transmission and distribution systems;
- (v) accommodate increased transportation electrification, increased building electrification and other potential future demands on distribution and, where applicable, transmission systems; and
- (vi) minimize or mitigate impacts on the ratepayers of the commonwealth, thereby helping the commonwealth realize its statewide greenhouse gas emissions limits and sublimits under chapter 21N.

Pursuant to G.L. c. 164, § 92B(d), after an EDC submits its draft ESMP to the GMAC for review and recommendations, the EDC is required to submit its ESMP to the Department, while providing a list of each individual GMAC recommendation, the status of each recommendation, and an explanation of whether and why each recommendation was adopted, adopted as modified, or rejected, along with a statement of any unresolved issues, to the Department. Pursuant to G.L. c. 164, § 92B(d), the Department is required to consider the plan and provide an opportunity for interested parties to be heard in a public hearing. Ultimately, the Department is required to “approve, approve with modifications or reject the **plan**” (emphasis added) within seven months of submittal. To be approved, a plan shall provide net benefits for customers and meet the criteria enumerated elsewhere in the statute.

The incremental infrastructure investments proposed in the ESMPs will be presented to the Department as a **plan**, for review by the Department to approve as a plan, not for specific “preauthorization.” Should the Department determine through its review of each plan that categories of infrastructure investments, and/or specific incremental infrastructure investments, meet the intent of G.L. c. 164, § 92B(a), the Department will approve the plan in whole, or in part, as appropriate. Cost recovery for such infrastructure investments will be proposed to the Department through tariffs or other mechanisms designed to recover such costs, either as part of a base rate proceeding, or another docket.

In summary, pursuant to their respective ESMPs, the EDCs will be investing in their distribution systems to meet their obligation to serve customers in a safe and reliable manner without the need for the Department to authorize such infrastructure investments prior to the investment being made, ultimately subject to a prudence review by the Department. Moreover, the EDCs will be investing to meet their public policy obligations pursuant to statutory and Department directives, either prior to making such infrastructure investments (if required) or subject to a later Department review for prudence.

- **Role of GMAC**

As noted above, pursuant to G.L. c. 164, § 92B(d), each EDC is required to submit ESMPs to the Department that include a demonstration of the GMAC’s **review, input, and recommendations**, including, but not limited to, a list of each individual recommendation, the status of each recommendation, and an explanation of whether and why each recommendation was adopted, adopted as modified, or rejected, along with a statement of any unresolved issues.

This language highlights the focus of the GMAC’s role, particularly regarding the ESMPs before it currently – to provide input and recommendations to the EDCs regarding their planned electrification, DER-enablement, and resiliency infrastructure investments for the 2025-2029 plan term. Such infrastructure investments need not be “authorized” by the GMAC, and such infrastructure investments may not ultimately even be specifically “authorized” by the Department prior to the EDCs making such infrastructure investments. The EDCs will be guided by the Department’s ultimate decision to either approve, approve in part, or reject, their respective ESMPs.

The GMAC has already played a very important role in assisting the EDCs to develop their very first ESMPs for Department review. The GMAC’s individual councilor and consultant recommendations to date, as well as the GMAC’s final recommendations, will be thoroughly and meaningfully considered by the EDCs to further develop the ESMPs, clarify terms, and organize the documents to facilitate Department review. Ultimately, such recommendations will greatly facilitate the development of the next set of ESMPs for the 2030-2034 term and thereafter.