

The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 25-200

December 15, 2025

Investigation by the Department of Public Utilities on Its Own Motion into Gas and Electric Delivery Charges and Bill Redesign.

VOTE AND ORDER OPENING INQUIRY

I. INTRODUCTION

The Department of Public Utilities (“Department”) opens this investigation to conduct a comprehensive review of gas and electric delivery rates and charges with the aims of containing customer costs, reducing utility bill volatility, and increasing utility bill transparency and accessibility. Amidst a rapidly changing energy landscape,¹ the Commission determines that it is necessary to examine whether the current structure of rates and charges aligns with the needs of the Commonwealth’s residents and businesses. In Massachusetts, electricity and natural gas costs have risen more rapidly than inflation, resulting in economic hardship for many customers.² Among the primary drivers of these cost increases is the aging infrastructure of the electric and gas distribution systems throughout the state and the New England region, which

¹ The evolution in Massachusetts energy policy has played a central role in many of our decisions over the past several years, including, for example, Mid-Term Modification to Electric Vehicle Infrastructure Programs, D.P.U. 24-195/D.P.U. 24-196/D.P.U. 24-197, at 108-110 (October 17, 2025); 2025-2027 Three-Year Energy Efficiency Plans, D.P.U. 24-140 through D.P.U. 24-149, at 93, 150-151 (February 28, 2025), Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-150, at 76-77 (2024); Fitchburg Gas and Electric Light Company, D.P.U. 23-80/D.P.U. 23-81, at 32-33 (2024); Electric Sector Modernization Plans, D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, at 59 (2024); NSTAR Electric Company, D.P.U. 22-22, at 48-49 (2022); Boston Gas Company, D.P.U. 20-120, at 66 (2021); and NSTAR Gas Company, D.P.U. 19-120, at 60 (2020).

² *Why the Price of Electricity Is Spiking Around the Country*, New York Times (October 30, 2025), <https://www.nytimes.com/2025/10/30/climate/electricity-prices.html>; Ryan Wiser et al., *Factors Influencing Recent Trends in Retail Electricity Prices in the United States*, The Electricity Journal, Vol. 38, Issue 4 (October 10, 2025) available at <https://doi.org/10.1016/j.tej.2025.107516>; *Electricity prices are climbing more than twice as fast as inflation*, NPR (August 16, 2025), <https://www.npr.org/2025/08/16/nx-s1-5502671/electricity-bill-high-inflation-ai>; *Natural gas prices are low, but your monthly gas bill is up. Here’s why*, NPR (October 13, 2025), <https://www.npr.org/2025/10/13/nx-s1-5558384/gas-utility-prices-home-climate>.

requires significant investment in the near-term to maintain safe and reliable service.³ At the same time, the implementation of the Commonwealth's clean energy transition requires investments to support an upgraded, modern electric grid; the deployment and interconnection of clean, renewable energy sources; and the decarbonization of the building and transportation sectors.⁴ These investments provide customers with meaningful, long-term benefits, but they come with significant up-front costs, many of which are charged to ratepayers on their monthly utility bills.⁵ The Department has a responsibility to ratepayers to investigate whether changes to the current design and composition of electric and gas delivery rates can mitigate and manage these recent cost trends. Moreover, to further promote more manageable, stable electric and gas bills, the Department also will investigate changes to existing processes to enable a more transparent and holistic review of each utility's annual reconciling rate changes.

³ An Act Relative to Natural Gas Leaks, St. 2014, c. 149, codified at G.L. c. 164, § 145; D.P.U. 23-150, at 38, 78-79; D.P.U. 23-80/D.P.U. 23-81, at 43; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, at 166; D.P.U. 22-22, at 51.

⁴ See, e.g., An Act Driving Clean Energy and Offshore Wind, St. 2022, c. 179; An Act Creating a Next-Generation Roadmap for Massachusetts Climate Policy, St. 2021, c. 8; An Act Relative To Green Communities, St. 2008, c. 169 ("Green Communities Act"); An Act Establishing the Global Warming Solutions Act, St. 2008, c. 298; An Act Relative to Competitively Priced Electricity in the Commonwealth, St. 2012, c. 209; Green Communities Expansion Act, § 83A; Executive Office of Energy and Environmental Affairs, Massachusetts Clean Energy and Climate Plan for 2025 and 2030 <https://www.mass.gov/info-details/massachusetts-clean-energy-and-climate-plan-for-2025-and-2030> (last visited December 10, 2025).

⁵ The cost of natural gas and electricity supply are also significant elements of customer bills; however, given the Department's limited regulatory jurisdiction over supply, our focus in this proceeding is on charges related to the delivery portion of the bill.

The Department acknowledges that policy initiatives and discussion outside the Department have advanced the conversation regarding redesigning rates. In particular, the Governor's pending energy affordability legislation, H. 4144,⁶ the Interagency Rates Working Group's ("IRWG") Near--Term Rate Strategy Report⁷ and Long--Term Ratemaking Study,⁸ and the ongoing work of the Massachusetts Electric Rates Task Force led by the Department of Energy Resources ("DOER")⁹ each contemplate numerous actions, including Department investigations into alternative rate designs to promote affordability and electrification. Recently, the Governor has called on the Department to "review each and every charge that customers are currently paying to determine whether the charge can be eliminated, reduced, or its impact mitigated."¹⁰ In light of these developments, and with deference to any statutory directives to the Department that the Legislature may adopt, we initiate a review of these matters now, using our existing authority, to provide relief to ratepayers as promptly as possible.

In Section II of this Order below, we summarize the Department's oversight of the rates on customers' electric and gas bills, the pros and cons of reconciling mechanisms, and the

⁶ An Act Relative to Energy Affordability, Independence and Innovation, H.4144, available at <https://malegislature.gov/Bills/194/H4144>. See also, An Act Relative to Energy Affordability, Clean Power and Economic Competitiveness, H.4744, available at <https://malegislature.gov/Bills/194/H4744>.

⁷ IRWG Near-Term Strategy Report (December 20, 2024), available at <https://www.mass.gov/info-details/interagency-rates-working-group>.

⁸ IRWG Long-Term Ratemaking Study (March 7, 2025), available at <https://www.mass.gov/info-details/interagency-rates-working-group>.

⁹ <https://www.mass.gov/info-details/massachusetts-electric-rate-task-force>.

¹⁰ <https://www.mass.gov/doc/dpu-letter/download>.

Department's rate structure goals. In Section III, we establish the scope and objectives of the first phase of this proceeding, direct the electric distribution companies ("EDCs")¹¹ and gas local distribution companies ("LDCs")¹² (collectively, "Distribution Companies") to file with the Department certain information and responses to questions from the Department, and solicit comments from interested stakeholders. Further, we recognize that for customers, rate design and policy objectives are abstractions from the reality of the customer experience and the essential need to afford and understand gas and electric bills on a month--to--month basis. Therefore, in the second phase of this proceeding, we will investigate utility bill design with the aim of increasing customers' understanding of bill charges, as outlined in Section IV below. Finally, we note that this investigation is one part of the Department's broader efforts to enable Massachusetts customers to contain energy costs and manage their bills. Accordingly, in Section V of this Order, the Department announces three separate but related proceedings that will commence in the coming months.

¹¹ The EDCs subject to the Department's jurisdiction are: 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").

¹² The LDCs subject to the Department's jurisdiction are: The Berkshire Gas Company ("Berkshire Gas"); NSTAR Gas Company ("NSTAR Gas") and Eversource Gas Company of Massachusetts ("EGMA") each d/b/a Eversource Energy; Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty ("Liberty"); Boston Gas Company d/b/a National Grid ("National Grid"); and Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil").

II. DEPARTMENT OVERSIGHT OF RATES AND RATE DESIGN

A. Overview of Department Jurisdiction Over Rates

The Department regulates many, but not all, of the rates and charges that appear on a gas or electric company's bill. Typically, the Distribution Companies separate the charges on their bills into delivery services and supply services. The rates charged for delivery services include base distribution rates, reconciling rates, and other charges. Following a general rate proceeding pursuant to G.L. c. 164, § 94, the Department sets base distribution rates to recover a representative level of the carrying costs on capital expenditures and the operations and maintenance expenses necessary to own and operate the company's distribution system. Under traditional cost-of-service ratemaking, base distribution rates remain the same between base distribution rate cases.¹³ In contrast, reconciling rates represent distribution--related and non--distribution costs that, subject to the Department's review and approval, are eligible for recovery on a dollar-for-dollar basis outside of each Distribution Company's base distribution rates. Supply services include the cost of the gas or electricity itself, the prices of which are market-based and are not set by the Department.

¹³ Since 1995, Distribution Companies subject to the Department's jurisdiction have operated under alternative ratemaking frameworks from time to time, such as a performance-based ratemaking plan, that may include annual formula adjustments to base distribution rates between base distribution rate proceedings. See generally Incentive Regulation, D.P.U. 94-158 (1995). The majority of the Distribution Companies currently operate under a performance-based ratemaking plan that includes annual formula adjustments to base distribution rates. D.P.U. 23-150, at 78; D.P.U. 23-80/D.P.U. 23-81, at 34; D.P.U. 22-22, at 51; D.P.U. 20-120, at 68-69; D.P.U. 19-120, at 60.

The Department is charged with ensuring that distribution rates are just and reasonable.¹⁴ Succinctly put, a utility's distribution rates are just and reasonable when its "rates afford it the opportunity to meet its cost of service, including a fair and reasonable return on honestly and prudently invested capital."¹⁵ The Department regularly scrutinizes cost-recovery requests to ensure that funds were spent reasonably and prudently; oversees the implementation of legislative directives to ensure compliance, cost-effectiveness, and just and reasonable rates; and facilitates the development and implementation of novel solutions.¹⁶

The Legislature has directed the Department to "prioritize safety, security, reliability of service, affordability, equity and reductions in greenhouse gas emissions."¹⁷ The Department's day-to-day regulation and oversight of the electric and gas companies requires a difficult balancing of these priorities. Maintaining safe and reliable distribution systems requires

¹⁴ See, e.g., Bay State Gas Company v. Department of Public Utilities, 459 Mass. 807, 814 (2011); Attorney General v. Department of Telecommunications and Energy, 438 Mass. 256, 264 n.13 (2002); Attorney General v. Department of Public Utilities, 392 Mass. 262, 265 (1984).

¹⁵ Southern Union Company v. Department of Public Utilities, 458 Mass. 812, 824 (2011), citing Boston Gas Company v. Department of Public Utilities, 367 Mass. 92, 97 (1975); Lowell Gas Company v. Department of Public Utilities, 324 Mass. 80, 94, cert. denied, 338 U.S. 825 (1949); Donham v. Public Service Commissioners, 232 Mass. 309, 326 (1919).

¹⁶ See, e.g., Investigation by the Department of Public Utilities, On Its Own Motion, Instituting a Rulemaking Pursuant to the Acts of 2022, c. 179, § 54, G.L. c. 30A, § 2, and 220 CMR 2.00 to Amend the Net Metering Regulations at 220 CMR 18.00, D.P.U. 23-140; D.P.U. 24-140 through D.P.U. 24-149; D.P.U. 23-150; D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12; Role of Gas Local Distribution Companies as the Commonwealth Achieves its Target 2050 Climate Goals, D.P.U. 20-80.

¹⁷ G.L. c. 25, § 1A.

significant investments from ratepayers, but the Department appreciates that during a period when inflation, tariffs, and other economic disruptions have put essentials out of reach for many, affordability is vital. The Department understands that high energy bills burden families and businesses, and the Department has taken several steps to contain and reduce the costs that are recovered through utility bills. Earlier this year, for example, the Department took action to address high energy bills when we directed the Program Administrators to reduce the proposed cost of the 2025-2027 energy efficiency programs by \$500 million.¹⁸ In the same vein, the Department moved to contain excessive, poorly targeted spending on the maintenance of the gas distribution system.¹⁹ The Department also directed the LDCs to mitigate high winter heating bills²⁰ and ordered the electric companies to implement winter heat -pump rates to reduce heating costs for residential heat pump users.²¹ Further, the Department reduced the electric

¹⁸ D.P.U. 24-140 through D.P.U. 24-149, at 204.

¹⁹ The Department required the LDCs to adopt several cost-control measures in their Gas System Enhancement Plans (“GSEPs”), including reducing the revenue cap for annual reconciling recoveries, eliminating carrying charges on deferred balances going forward, requiring the evaluation of repairing pipes instead of replacing them, and ensuring more rigorous risk prioritization. 2025 Gas System Enhancement Plans, D.P.U. 24-GSEP-01 through D.P.U. 24-GSEP-06 at 1-2 (April 30, 2025).

²⁰ On February 20, 2025, the Department directed all LDCs to file revised reconciliation factors that would reduce residential average bills by at least five percent for the remainder of the peak season (i.e., March and April 2025). February 20, 2025 Letter from Department to Local Distribution Companies regarding Immediate Winter Rate Relief, at 1. The Department approved these reduced rates (and the LDCs’ waiver of carrying charges) to recover these costs during the 2025 off-peak period. See, e.g., The Berkshire Gas Company, D.P.U. 24-PGAF-BERK, Letter Order on Revised Reconciling Factors at 5 (February 28, 2025).

²¹ NSTAR Electric Company, D.P.U. 25-55, at 28 (July 29, 2025); D.P.U. 23-150, at 512; D.P.U. 23-80/D.P.U. 23-81, at 407. The Department commends the EDCs for their

companies' proposed electric sector modernization plans spending eligible for recovery through a reconciling cost recovery mechanism by approximately \$1.677 billion.²² The Department also has investigated more effective discount rates and other protections for low-income ratepayers.²³

B. Why Some Costs are Recovered Through Reconciling Charges Instead of Base Distribution Rates

Pursuant to G.L. c. 164, § 94, the Legislature has granted the Department extensive ratemaking authority over the electric and gas companies. The Supreme Judicial Court has consistently found that the Department's authority to design and set rates is broad and substantial.²⁴ The Department is not compelled to use any particular method to establish rates, provided that the end result is not confiscatory (i.e., deprives a distribution company of the opportunity to realize a fair and reasonable return on its investment).²⁵ The Supreme Judicial Court has held that a basic principle of ratemaking is that "the department is free to select or reject a particular method as long as its choice does not have a confiscatory effect or is not

effective work to market the new heat-pump rates, with over 120,000 customers already enrolled as of December 1, 2025.

²² D.P.U. 24-10-A/D.P.U. 24-11-A/D.P.U. 24-12-A, at 1, 3 (June 13, 2025).

²³ Inquiry into Energy Burden with a Focus on Energy Affordability for Residential Ratepayers, D.P.U. 24-15.

²⁴ Southern Union Company, 458 Mass. at 819 ("[W]e have acknowledged that the department has broad authority to determine ratemaking matters in the public interest."); see also Massachusetts Institute of Technology v. Department of Public Utilities, 425 Mass. 856, 867-868 (1997) and cases cited; Boston Real Estate Board v. Department of Public Utilities, 334 Mass. 477, 485 (1956).

²⁵ Boston Edison Company v. Department of Public Utilities, 375 Mass. 1, 19, cert. denied, 439 U.S. 921 (1978).

otherwise illegal.”²⁶ In addition, G.L. c. 164, § 76 grants the Department broad supervisory authority over the electric and gas companies.

When costs are recovered through base distribution rates, there is a time gap between when a utility incurs a cost and when the utility recovers its costs through new rates. This time gap is referred to as “regulatory lag,” and it provides a strong incentive for companies to control costs and to invest wisely in capital.²⁷ Reconciling mechanisms, because they allow for more timely cost recovery from ratepayers, substantially reduce or even eliminate benefits to ratepayers that accrue as a result of regulatory lag. Furthermore, as discussed below, base rates are designed in a base distribution rate proceeding using a comprehensive allocated cost of service study, resulting in rates that are more reflective of cost incurrence.

Over the years, reconciling rates have been instituted for a variety of reasons. Several reconciling mechanisms have been required by statute, such as the energy efficiency surcharge, net metering recovery surcharge, and the gas system enhancement plan factors.²⁸ The Department also has approved reconciling mechanisms to allow the Distribution Companies to recover costs for certain initiatives that have a limited term, including grid modernization costs, advanced metering infrastructure, and networked geothermal energy demonstration projects.²⁹

²⁶ American Hoechst Corporation v. Department of Public Utilities, 379 Mass. 408, 413 (1980), citing Massachusetts Electric Company v. Department of Public Utilities, 376 Mass. 294, 302 (1978).

²⁷ Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 09-39, at 80 (2009).

²⁸ G.L. c. 25, §§ 19(a), 19(b), 21(b)(2)(vii), 21(d)(2); G.L. c. 164, §§ 138, 139, 145.

²⁹ Second Grid Modernization Plans (Track 2), D.P.U. 21-80-B/D.P.U. 21-81-B/D.P.U. 21-82-B at 289-290 (2022); Second Grid

Further, the Department has long recognized that certain costs are significant, volatile, neutral to fluctuations in sales, and largely beyond the control of the company and thus appropriate for recovery through a reconciling mechanism.³⁰ Employment of reconciling mechanisms outside of base distribution rates can help avoid repetitive and costly general base rate proceedings resulting from fluctuations in these costs.

C. Rate Structure Goals

Rate structure is the level and pattern of prices charged to customers for their use of utility service. The rate structure for each rate class is a function of the cost of serving that rate class and how rates are designed to recover the cost to serve that rate class. The Department has determined that the goals of designing utility rate structures are to achieve efficiency and simplicity as well as continuity of rates, fairness among rate classes, and corporate earnings

Modernization Plans, D.P.U. 21-80-A/D.P.U. 21-81-A/D.P.U. 21-82-A at 110-112 (2022); Investigation by the Department of Public Utilities on its own Motion into the Modernization of the Electric Grid - Phase II, D.P.U. 20-69-A at 35 (2021); D.P.U. 19-120, at 148-152; First Grid Modernization Plans, D.P.U. 15-120/D.P.U. 15-121/D.P.U. 15-122, at 235 (2018); Investigation by the Department of Public Utilities on its own Motion into Modernization of the Electric Grid, D.P.U. 12-76-B at 19 (2014).

³⁰ See e.g., Fitchburg Gas and Electric Light Company, D.P.U. 11-01/D.P.U. 11-02, at 364 (2011) (finding vegetation management costs were not volatile and within the company's control); Western Massachusetts Electric Company, D.P.U. 10-70, at 47-48 (2011) ("The Department typically considers reconciling tariffs . . . under circumstances in which a company's operating costs are under pressure due to significant volatility as a result of circumstances outside its control, such as fuel costs."), citing Consumers Organization for Fair Energy Equality, Inc. v. Department of Public Utilities, 368 Mass. 599, 601-608 (1975) (upholding the Department's decision regarding a fuel adjustment clause); Bay State Gas Company, D.T.E. 05-27, at 183-186 (2005) (approving the recovery of gas cost-related bad debt through the cost of gas adjustment clause).

stability.³¹ The Department has recognized that, in meeting the goal of efficiency, rate structures should provide strong signals to consumers to decrease energy usage, considering price as well as non-price social, resource, and environmental factors, to fulfill their needs.³² In a base distribution rate proceeding, the Department uses a two-step process to determine rate structure: cost allocation and rate design. The cost allocation step assigns a portion of the company's total costs to each rate class using a cost-of-service study. The Department next determines, on a rate class-by-rate class basis, the proper level to set the customer charge and delivery charge for each rate class based on a balancing of our rate design goals.³³

III. PHASE I: REVIEW OF CHARGES AND RECONCILING MECHANISMS

A. Scope and Objectives

In the last twenty-five- years, the number of reconciling mechanisms has increased significantly. The Department has already embarked on the effort to consolidate and reduce reconciling mechanisms by including costs in base distribution rates,³⁴ and the Department has authorized other reconciling mechanisms for a short period with the express intent of

³¹ G.L. c. 25, § 1A; D.P.U. 23-80/D.P.U. 23-81, at 367; D.P.U. 22-22, at 404; D.P.U. 20-120, at 412; D.P.U. 19-120, at 409.

³² D.P.U. 23-80/D.P.U. 23-81, at 367-368; D.P.U. 22-22, at 405; D.P.U. 20-120, at 412; D.P.U. 19-120, at 409.

³³ New England Gas Company, D.P.U. 10-55, at 536 (2011); Boston Gas Company, D.T.E. 03-40, at 367 (2003); The Berkshire Gas Company, D.T.E. 01-56, at 135 (2002); Blackstone Gas Company, D.T.E. 01-50, at 29 (2000); Boston Gas Company, D.P.U. 96-50 (Phase I) at 135 (1996).

³⁴ D.P.U. 23-150, at 320, 369; D.P.U. 23-80/D.P.U. 23-81, at 270; see also, D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, at 444-447.

incorporating the associated costs into base distribution rates at the next opportunity.³⁵

Nevertheless, the increased pressure on ratepayers due to current economic conditions compels the Department to swiftly and creatively identify additional opportunities to contain energy bill costs and reduce volatility. From time to time, and consistent with legislative directives, the Department has undertaken comprehensive reviews of the Distribution Companies' rates, standards, and policies to ensure they align with the economic needs of the Commonwealth.³⁶ With this Order, the Department initiates a thorough review of electric and gas bill charges and reconciling mechanisms to contain costs, reduce bill volatility, promote efficiency and transparency, better reflect cost incurrence, and reduce administrative burden. As part of this review, the Department will focus on the objectives listed below:

1. identify electric and gas reconciling mechanisms that can be eliminated or included in base distribution rates going forward, with a goal to contain costs, reduce bill

³⁵ See, e.g., Investigation by the Department of Public Utilities into (1) the Ratemaking Proposal of the Electric and Gas Companies Subject to the Department's Jurisdiction for the Treatment of Costs Related to the Financial Impacts of the State of Emergency Declared Regarding the Novel Coronavirus (COVID-19) Pandemic and (2) Alternative Bill Payment Options for Customers, D.P.U. 20-91-A at 45 (2022) (determining that fee free program costs would transition to base distribution rates after two years).

³⁶ The Legislature's foundational decision to restructure the electric industry, for example, required the Department to examine the appropriate incentives for distribution-only gas and electric companies. As a result of these proceedings, the Department has committed to strong revenue decoupling and energy efficiency policies.

volatility, limit administrative burden, and reduce barriers to stakeholder participation in Department proceedings;

2. determine whether certain electric and gas reconciling mechanism costs should be collected from customers through fixed charges rather than volumetric charges, with a goal of more cost-reflective rates and to reduce bill volatility;
3. determine whether certain electric reconciling mechanisms should be included in the electric distribution companies' annual retail rate filings for review and approval rather than filed in separate dockets at different times of the year, with a goal of reducing administrative burden and cost and promoting greater transparency;
4. determine how the value of net metering credits and the associated bill impacts to electric customers in Massachusetts compare to similar programs in other jurisdictions and whether the value of the net metering credit should be adjusted, with a goal to reduce costs associated with net metering;³⁷ and
5. determine the feasibility of creating a maximum threshold for the amount that charges assessed to customers may change from one month to another.

In addition to investigating whether each current reconciling charge should transition to base distribution rates, we will also examine the benefits of converting current volumetric rates to fixed charges. Both electric and gas reconciling mechanism costs are primarily recovered through volumetric rates, rather than fixed charges. A report by the IRWG found that the existing method of recovering some of these costs from ratepayers through volumetric rates is inconsistent with ratemaking best practices—specifically, that rates should be cost reflective.³⁸ The report determined that charges such as the residential assistance adjustment factor, energy efficiency surcharge, and the solar Massachusetts renewable target (known as “SMART”) have

³⁷ Generally, the value of a net metering credit is equal to the sum of the basic service kilowatt-hour charge, distribution kilowatt-hour charge, transmission kilowatt-hour charge, and transition kilowatt-hour charge applicable to the rate class to which the net metering facility is assigned. G.L. c. 164, § 138.

³⁸ IRWG Long-Term Ratemaking Recommendations Report, at 32.

no causal relationship to an individual customer's total energy usage.³⁹ The Department intends to explore whether these reconciling mechanisms, and others, should be collected through fixed charges, or a combination of fixed and variable charges, rather than through volumetric rates.

Further, the Department will examine the timing and composition of the current electric annual reconciling mechanism petitions filed with the Department. Unlike the LDCs, whose distribution rates are differentiated between higher peak season rates and lower off-peak season rates, the electric companies adjust these rates throughout the year in an uncoordinated fashion.⁴⁰ Each EDC has dozens of reconciling mechanisms, a minority of which are consolidated as part of each company's annual electric reconciliation filing, with the remaining reconciling mechanisms filed individually and on different dates. These individual filings for electric reconciling mechanisms trigger separate administrative proceedings and make it challenging for interested stakeholders to understand the collective bill impacts associated with a company's reconciling mechanisms and to participate in the Department's proceedings.

The comprehensive review of reconciling mechanisms described above should lead to a consolidation and reduction in the number of rate changes over the course of a year, reducing administrative burden and cost and permitting greater transparency and certainty regarding rate changes. Additional transparency should enable customers and interest groups to have a more holistic understanding of cumulative bill impacts and cost trends and facilitate more informed participation in Department proceedings. Further, this transparency could obviate the need to

³⁹ IRWG Long-Term Ratemaking Recommendations Report, at 32.

⁴⁰ For example, National Grid's electric rates change on January 1st, March 1st, May 1st, July 1st, October 1st, and November 1st due to adjustments to different rate factors.

implement a maximum threshold for bill increases from one month to another; nonetheless, we intend to explore the concept of a maximum threshold and whether it can benefit ratepayers by moderating bill increases while avoiding excessive cost recovery deferrals.⁴¹

Finally, the Department acknowledges that the potential changes to electric distribution kilowatt--hour charges contemplated by this investigation necessitate consideration of the effects on the net metering program.⁴² Massachusetts is one of 29 states, plus the District of Columbia and Puerto Rico, that offer retail rate or time--of--use retail rate compensation for excess distributed generation.⁴³ Other states offer lower compensation. We take this opportunity to investigate how net metering credits offered in Massachusetts compare with similar offerings in other jurisdictions and to determine whether the current value of net metering credits appropriately balances the benefits of incentivizing the deployment of distributed generation with the costs borne by ratepayers. Therefore, in this investigation we will consider reductions to the value of the net metering credit, which would result in a corresponding reduction to the overall net metering recovery surcharge paid by electric ratepayers,⁴⁴ as part of our evaluation of changes to electric delivery rates.

⁴¹ An Act Relative to Energy Affordability, Independence and Innovation, H.4144, § 50, available at <https://malegislature.gov/Bills/194/H4144>.

⁴² Refer to note 27, *infra*.

⁴³ North Carolina Clean Energy Technology Center, Distributed Generation Customer Credit Rates for Excess Generation, September 2025, available at https://ncsolarcen-prod.s3.amazonaws.com/wp-content/uploads/2025/10/NEM_Credit_Rate_Sept2025-1.pdf.

⁴⁴ The net metering recovery surcharge recovers, from ratepayers, the value of net metering credits applied to customers with excess generation from on-site generation facilities and the distribution revenue displaced by such generation. St. 2008, c. 169, § 78; G.L. c. 164,

B. Request for Information from the Distribution Companies

The Department intends to conduct this investigation expeditiously. To that end, the Department directs each Distribution Company to submit a report with the Department that includes the following information:

1. For each rate factor upon which it currently relies to collect delivery-related costs from ratepayers, provide:
 - a. what costs are recovered in each factor,
 - b. the Department proceedings in which each factor was first established;
 - c. the cadence of filings, filing date, and effective date;
 - d. whether and, if so, when the Distribution Company expects to transition cost recovery to base distribution rates, therefore terminating the rate factor;
 - e. total revenue requirement;
 - f. total revenue requirement relative to total delivery revenues;
 - g. total revenue requirement broken down by capital costs, operating and maintenance expenses, and carrying costs; and
 - h. total revenue requirement broken down by actual capital costs, operating and maintenance expenses, and carrying costs and forecasted capital costs, operating and maintenance expenses, and carrying costs in the revenue requirement.
 - i. For (e) through (h) above, provide the requested information for the most recent period and the five prior periods.
2. Identify any volumetric reconciling charges the company agrees should be eliminated, and the Company's proposal for recovering such costs through:
(1) fixed reconciling charges; (2) base distribution rates (specify whether costs

§ 139(c); 220 CMR 18.09(4). This surcharge provides the Distribution Companies with a mechanism to recover such credits and displaced distribution revenue, and to reconcile actual net metering recovery surcharge revenue amounts recovered from customers with actual recoverable amounts. See, e.g., M.D.P.U. No. 68M, § 1.08 (NSTAR Electric).

should be included in volumetric charge or customer charge); or (3) an alternative. For all other reconciling charges, identify the circumstances under which the reconciling charge could be eliminated.

3. For each reconciling charge, identify any cost component of the charge that appropriately could be transferred into base distribution rates (e.g., administrative costs included in the reconciling SMART factor).
4. As part of its report, each Distribution Company shall explain how current reconciling charges and any proposed changes advance cost--reflective rate design.
5. Each Distribution Company shall illustrate the bill impacts to ratepayers of changing each individual volumetric reconciling delivery charge and cumulatively for all reconciling delivery charges (excluding charges that are required by statute to be volumetric) to fixed charges. The Distribution Companies shall provide the illustrative bill impacts for the following usages: 25th percentile, 50th percentile, and 75th percentile.

Each Distribution Company shall submit its report no later than **January 30, 2026**. The Department anticipates scheduling one or more technical conferences for the Distribution Companies to present their reports. The Department will provide an agenda in advance of the technical conference(s).

C. Request for Comments

The Department invites all interested persons to participate in this proceeding and provide input on the Department's review of gas and electric rates to contain customer costs, reduce bill volatility, and to increase electric and gas utility bill transparency and accessibility. The Department seeks written comments from the Distribution Companies and other interested stakeholders responding to any or all of the questions below by **5:00 p.m. on March 31, 2026**. Reply comments should be filed no later than **5:00 p.m. on April 30, 2026**. The Department anticipates significant interest in this proceeding and welcomes comment from a broad range of

stakeholders and customers. Therefore, we encourage interested persons to present consensus positions and submit comments jointly, where possible.

All comments should be submitted to the Department in electronic format by e-mail attachment to dpu.efiling@mass.gov and stephanie.mealey@mass.gov. The text of the e-mail must specify: (1) the docket number of the proceeding (D.P.U. 25-200); (2) the name of the person or entity submitting the filing; and (3) indicate that the document is a written comment. The electronic filing should also include the name, title, and telephone number of a person to contact in the event of questions about the filing. All documents submitted in electronic format will be posted on the Department's website by looking up the docket by its number in the docket database at <https://eeaonline.eea.state.ma.us/DPU/Fileroom/>. The Department requests that commenters refrain from providing confidential information (such as a copy of one's utility bill including the account number and usage history). The Department will determine the appropriate next steps for this proceeding after completing our review of the initial and reply comments.

Any person interested in joining the electronic distribution list for this inquiry without filing comments should indicate such interest by informing Hearing Officer Stephanie Mealey, via email (stephanie.mealey@mass.gov). To be included on the electronic distribution list, the request to the Department must include the following information: (1) name and organization represented; and (2) email address.

The Department requests comments responding to the following questions:

1. Which reconciling charges should be recovered through base distribution rates and why?

2. Which reconciling charges should be recovered through fixed charges in lieu of volumetric rates and why?
3. Volumetric pricing creates strong incentives for conservation and energy efficiency; however, volumetric pricing of electricity tends to discourage the electrification of heating and transportation. Please comment on the merits of fixed charges in lieu of volumetric charges to incentivize electrification, including the range of impacts that customers would experience, and in particular, how fixed charges increase bill impacts for low-use customers.
4. If fixed charges replace volumetric pricing, what other policies are necessary and appropriate to continue to incentivize conservation and energy efficiency or to mitigate bill increases for low-use customers?
5. Please comment on the merits of shifting current volumetric reconciling charges into base distribution rates. As part of these comments, please discuss the equity implications of reducing volumetric reconciling charges in favor of base distribution rates or fixed charges.
6. For purposes of ensuring affordability during peak periods, should the Department set thresholds or other standards to require lower rates in the peak periods (i.e., winter for gas) and higher rates in the off-peak periods? Please refer to the LDCs' recent deferrals of some costs to the off-peak period during the 2024-2025 winter season.⁴⁵
7. What other legislative or regulatory changes, if any, are necessary to ensure that gas and electric rates are affordable and aligned with the Commonwealth's energy policies?
8. Should the Department set thresholds to reduce periodic bill volatility? What should the thresholds be? Over what periods of time?
9. Should the Department modify the timing of bill changes to reduce volatility or to serve other policy objectives?

⁴⁵Refer to note 16, *supra*.

10. Should the Department reform net metering values or structures for excess distributed generation to increase customer affordability?⁴⁶ If so, how? Please identify examples from other jurisdictions where instructive.

11. What other policies should the Department evaluate to reduce bill volatility?

IV. PHASE II: UTILITY BILL REDESIGN

The Department frequently hears from Massachusetts ratepayers who have difficulty understanding their gas and electric bills. The complexity of current utility bills, which include numerous line items for different individual or bundled⁴⁷ reconciling charges, increases customer confusion and mistrust and may reduce customers' sense of empowerment to reduce their energy bills by changing how they use energy. In addition, the lack of uniformity in billing across different distribution companies reduces the effectiveness of customer education campaigns and statewide policy initiatives, such as time varying rates, when implemented. Accordingly, as a second phase of this investigation, the Department will investigate how to redesign Massachusetts utility bills to enhance customer knowledge, agency, and responsiveness to price

⁴⁶ The Department is in the process of adjudicating the revised SMART Program cost recovery issues in D.P.U. 25-175. The Department is also working to establish a uniform Long-Term System Planning Process ("LTSP") for the Distribution Companies to proactively upgrade their respective electric power systems to enable increased, timely interconnection of new distributed generation resources in D.P.U. 25-20.

⁴⁷ The local distribution adjustment factor ("LDAF") is a reconciling mechanism by which LDCs recover certain distribution-related costs outside of base distribution rates. The LDAF includes the following rate factors: (1) residential assistance adjustment factor; (2) remediation adjustment factor; (3) Attorney General consultant expense factor; (4) energy efficiency surcharge; (5) pension adjustment factor; and (6) gas system enhancement plan factors. As of November 1, 2025, the energy efficiency surcharge is listed separately on customer bills.

and policy signals. The Department will provide additional procedural guidance on Phase II in the future.

V. OTHER AFFORDABILITY AND TRANSPARENCY INITIATIVES

A. Time-Varying Rates

We also take this opportunity to explain our efforts to date to implement time-varying rates and the next steps we intend on this topic. The Department has made substantial progress to lay the foundation for the cost-effective deployment of advanced metering infrastructure (“AMI”) to enable time-varying rates.

In 2014, the Department set forth a vision for and a path towards a modern electric system in Massachusetts, one that will be cleaner, more efficient and reliable, and will empower customers to manage and reduce their energy costs.⁴⁸ This vision includes the use of time-varying electric rates that will provide an incentive for customers to reduce peak energy use in response to price signals and reduce their own electricity bills and the costs of the entire electricity system.⁴⁹ On November 5, 2014, the Department established a policy framework for the implementation of time-varying rates for basic service.⁵⁰

The following year, the EDCs filed their first grid modernization plans, which included proposals for the full-scale deployment of AMI.⁵¹ At the conclusion of that investigation, the

⁴⁸ Modernization of the Electric Grid, D.P.U. 12-76-B at 1 (2014).

⁴⁹ D.P.U. 12-76-B at 11.

⁵⁰ Time-Varying Rates, D.P.U. 14-04-C (2014).

⁵¹ D.P.U. 15-120/D.P.U. 15-121/D.P.U. 15-122.

Department determined that further investigation into more cost-effective solutions to achieve AMI functionality was needed given the high cost of AMI deployment (\$1.5 billion).⁵²

In 2020, the Department initiated the second phase of its inquiry into the modernization of the electric grid to consider the next appropriate steps for the deployment of AMI in the Commonwealth, and in 2021 the Department directed the EDCs to submit a grid modernization plan by July 1, 2021 that included, among other things, a five-year strategic plan for the full deployment of AMI functionality.⁵³ After completing a comprehensive investigation into the EDCs' strategic plans, the Department preauthorized AMI investments for each of the EDCs, with full deployment of AMI expected in Unitil's service territory in 2025, in NSTAR Electric's service territory in 2028, and in National Grid's service territory in 2027.⁵⁴ Furthermore, the Department convened a stakeholder working group to discuss certain issues related to the implementation of the EDCs' respective AMI implementation plans, including data access, time-varying rates design, and customer education and engagement.⁵⁵

Additionally, the Department already has implemented time-varying rates that do not rely on AMI, where appropriate. For example, over the past two years, we have approved seasonal, revenue-neutral heat pump rates for each of the EDCs, and we commend the EDCs for making these rates available to these customers by November 1, 2025, in time for the current winter

⁵² D.P.U. 15-120/D.P.U. 15-121/D.P.U. 15-122, at 133-134.

⁵³ Grid Modernization – Phase II, D.P.U. 20-69, at 3 (2020); D.P.U. 20-69-A, at 38-39.

⁵⁴ D.P.U. 21-80-B/D.P.U. 21-81-B/D.P.U. 21-82-B at 238, 258, 277, 290.

⁵⁵ D.P.U. 21-80-B/D.P.U. 21-81-B/D.P.U. 21-82-B at 325.

heating season.⁵⁶ The Department is continuing its investigation regarding appropriate heat-pump rate design, as well as marketing and enrollment efforts, in an ongoing proceeding, D.P.U. 25-08. Separately, the Department recognizes the potential for time-varying rates paired with electric vehicles (“EVs”). Recently, the Department issued its latest approval of the EDCs’ managed charging offerings as part of their EV incentive program mid-term modifications,⁵⁷ and the Department looks forward to refining these programs in future cases.

DOER recently completed a series of discussions with the Massachusetts Electric Rate Task Force regarding the IRWG’s recommended changes to electricity rate design and ratemaking that can make energy more affordable and support electrification. DOER also published a Ratemaking Straw Proposal for comment from stakeholders. The Department expects that DOER will incorporate public feedback and submit a forthcoming petition to the Department requesting an investigation into electric rate design and regulatory mechanisms. The Department will soon open a docket for this proceeding and issue a Hearing Officer Memorandum with further guidance for the petitioners and other stakeholders.

⁵⁶ D.P.U. 23-150, at 512; D.P.U. 23-80/D.P.U. 23-81, at 407; D.P.U. 25-55, at 28.

⁵⁷ On October 17, 2025, the Department approved new EV managed charging programs for NSTAR Electric Company and Unitil. Electric Vehicle Charging Infrastructure Program Mid-Term Modifications, D.P.U. 24-195/D.P.U. 24-196/D.P.U. 24-197, at 89-90, 100-102 (October 17, 2025). The Department also approved modifications to National Grid’s off-peak charging rebate program, originally approved in D.P.U. 18-150, to extend the off-peak charging period (i.e., 9:00 p.m. to 1:00 p.m.) to include weekends and holidays, extend the program through 2026, and eliminate participation caps for residential and fleet customers. D.P.U. 24-195/D.P.U. 24-196/D.P.U. 24-197, at 91-94; see also, Electric Vehicle Time-of-Use Rates, D.P.U. 23-84/D.P.U. 23-85, at 20-21 (October 17, 2025).

B. AMI Load Settlement Data

As noted in a Hearing Officer Memorandum, the Department will soon open a new proceeding to investigate reporting of AMI interval data to ISO New England for load settlement and capacity tag calculations, accelerated switching, and dynamic rate-ready TVR offered by competitive suppliers and municipal aggregators.⁵⁸ Resolving this issue will allow competitive suppliers to offer robust time-varying rates to their customers, including municipal aggregations, improving customers' understanding and control over their electric bills.

C. Updates to Utility Billing and Termination Regulations

Gas and electric utilities have a fundamental responsibility to provide accurate, timely, and transparent bills to their customers. Recent experience—including multiple, significant examples of delayed or inaccurate bills—shows that the utilities are not consistently meeting their obligations. In a separate investigation, the Department will examine the utilities' current practices and recent performance in customer billing and determine whether the Department's current billing and termination regulations are sufficient to ensure consumer protection.

⁵⁸ Advanced Metering Data Access Protocol Implementation Plans, D.P.U. 26-20/D.P.U. 26-21/D.P.U. 26-22, Hearing Officer Memorandum at 4 n.2 (September 8, 2025).

VI. ORDER

Accordingly, the Department

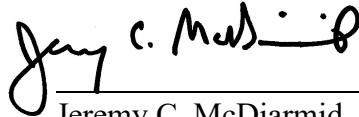
VOTES: To open an investigation concerning gas and electric delivery charges and bill redesign; and it is

ORDERED: That the Secretary of the Department shall send a copy of this Order to each electric and gas distribution company subject to the jurisdiction of the Department under G.L. c. 164; the Joint Committee on Telecommunications, Utilities and Energy; the Attorney General of the Commonwealth of Massachusetts; and the service lists in: (1) Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 23-150; (2) Fitchburg Gas and Electric Light Company, D.P.U. 23-80/D.P.U. 23-81; (3) NSTAR Electric Company, D.P.U. 22-22; (4) The Berkshire Gas Company, D.P.U. 22-20; (5) Liberty Utilities (New England Natural Gas Company) Corp., D.P.U. 25-85; (6) Boston Gas Company, D.P.U. 20-120; (7) NSTAR Gas Company, D.P.U. 19-120; and (8) Eversource Energy/Bay State Gas Company, D.P.U. 20-59; and it is

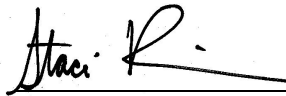
FURTHER ORDERED: That the Secretary of the Department shall serve a copy of this Order upon all persons on the Department's electronic distribution list; and it is

FURTHER ORDERED: That all participants shall comply with all directives contained in this Order.

By Order of the Department,

A handwritten signature in black ink, appearing to read "Jeremy C. McDiarmid".

Jeremy C. McDiarmid, Chair

A handwritten signature in black ink, appearing to read "Staci Rubin".

Staci Rubin, Commissioner

A handwritten signature in black ink, appearing to read "Elizabeth A. Anderson".

Elizabeth A. Anderson, Commissioner