Acadia Center
Advancing the Clean Energy Future
15 Court Square • Suite 1000
Boston, MA 02108
617.742.0054 • acadiacenter.org

March 1, 2024

Laurie Weisman, Hearing Officer
Mark D. Marini, Secretary
Massachusetts Department of Public Utilities
One South Station, 5th Floor
Boston, Massachusetts 02110

Dear Hearing Officer Weisman, Secretary Marini, and Service List:

Acadia Center appreciates the opportunity to provide written comments in response to the January 4, 2024, Notice of Inquiry in Department of Public Utilities (DPU) Docket 24-15, Notice of Inquiry by the Department of Public Utilities on its own Motion into Energy Burden with a Focus on Energy Affordability for Residential Ratepayers. Acadia Center is a non-profit research and advocacy organization committed to advancing the clean energy future. We have also signed onto a joint set of comments submitted in the proceeding developed by a broad coalition of stakeholders under this comment opportunity. While covered in greater detail below, Acadia Center broadly recommends:

- Utilizing a percentage-of-income-payment plan approach versus tiered
- Specifically implementing a 6% income-cap
- Avoiding policies that encounter the "cliff effect"
- Allowing customers in arrears to remain in energy affordability programs
- Subsidizing programs by the heaviest energy users, with different classifications based upon heating type
- Utilizing auto-enrollment for the R-2 Rate

Background

The Commonwealth must implement solutions to lower customer energy burdens—the percentage of a household's income spent on energy bills—if it is to have equitable energy policies. As the Notice identified, energy burden in Massachusetts is a major problem, especially for low-income households, whose average energy burden is around ten percent. Remarkably, energy burden for some low-income households can reach as high as 31 percent.[1]

[1] Notice of Inquiry DPU 24-15, January 4, 2024.

Addressing these inequitable burdens is a vital component of achieving the Commonwealth's overall energy transition – shifting not just what types and how much energy we consume, but how we all collectively pay for that energy. Progress on both affordability and decarbonization must be made simultaneously and with haste, and indeed the Commonwealth has many tools – such as energy efficiency and weatherization – that help it achieve both priorities at once.

Even within existing programmatic levers, we observe significant low-hanging opportunities for progress. These include the noticeably low levels of participation in utility rates that are specifically designed to alleviate energy burden. For example, only around 39% of National Grid customers that are eligible for the low-income discount rate (R-2) are in fact enrolled in the rate.[2] In other words, those remaining 61% of eligible low-income, but non-enrolled, National Grid customers are paying more for electricity than they should be paying if they were able to participate in the discount rate. This is indicative that there is significant room for improvement for the Commonwealth and its utilities to better reach already overburdened customers and to alleviate high energy burdens.

Responses Regarding Design of Residential Energy Affordability Programs

In the following sections, we provide responses to a subset of the questions posed by the Department in its Notice, with numbered answers matching to the corresponding numbered question from the Department. Blank answers indicate questions that we have not responded to.

1. A percentage-of-income payment plan (PIPP) caps energy costs as a percentage of household income, helping to keep energy costs more affordable for low-income households who disproportionately face higher energy burdens than other customers. A low-income discount rate provides a flat percentage bill discount to eligible customers, whereas a tiered discount rate provides a range of bill discounts depending on household income as a percentage of Federal Poverty Level (FPL). A PIPP has advantages over a tiered discount rate because

[2] DPU 23-150, Petition of Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid, for Approval of a General Increase in Base Distribution Rates for Electric Service and a Performance-Based Ratemaking Plan. Exhibit NG-CP-1 (page 26) and Exhibit NG-CP-5.

PIPPs are based on a specific percentage of household income. As a result, if rates increase over time, households enrolled in a PIPP are held harmless given that the commensurate benefit provided increases as well. Under a tiered discount rate, the relative value of the discounts decreases as bills increase, so households are not held harmless to the same degree as under a PIPP. We urge the Department to consider and implement a PIPP program, rather than a tiered discount rate. In considering a PIPP, we recommend that the Department consider a program that calibrates benefits such that no customer experiences a total energy burden greater than 6%.

A PIPP can be designed such that signals to reduce energy consumption and pursue energy efficiency are maintained. Concerns that a maximum allowed bill under a PIPP would lead customers to consume unlimited electricity should not be a reason to avoid a PIPP. A PIPP program can offer a subsidy only for typical energy usage and/or set a maximum annual benefit amount ($). Above a typical annual usage amount, customers could again face a standard rate, which would maintain existing financial incentives for conservation and efficiency. PIPPs do not by themselves encourage unlimited energy usage.

Both low-income discount rates and PIPPs can allow customers to use the cost savings they derive from those programs to potentially invest in more solutions like energy efficiency and solar PV than they otherwise could under high energy burden conditions. Critically, a PIPP in particular could allow and motivate more customers to electrify by mitigating concerns over higher energy bills as a result of installing a heat pump, for example. As an example of this, New York State has recently launched an 'Energy Affordability Guarantee' pilot that pairs fully subsidized efficiency and heat pump retrofits with a 6% cap on ongoing electricity costs for participating customers.[3]

The Department should consider how best to implement a PIPP for customers who may experience regular changes in monthly or yearly income in order to avoid placing undue burden on participating customers to prove eligibility. Engagement with the Massachusetts Department of Revenue may be valuable in factoring in these fluctuations (if that agency engagement is not already underway).

In addition to limiting a subsidy to typical utilization, PIPPs may also impose a maximum annual benefit amount which may run out prior to the end of the year. When setting caps intended to encourage conservation, we prefer caps on energy usage based on typical utilization, rather than caps on benefits amount. Usage more directly incentivizes conservation, while benefits amount present increased variability. In either case, communication with customers regarding typical energy usage, maximum benefit amount, and the potential risk of financial penalties is key to preventing undue financial burden.

2. The "cliff effect" occurs when households see an increase in income that puts them just outside the threshold of eligibility for assistance programs—and therefore removing the previous benefit that they received—but experience a similar level of energy burden as before the income increase. The sudden drop-off in benefits means that there is a subset of customers whose income is too high for assistance eligibility but too low to

[3] https://www.nyserda.ny.gov/About/Newsroom/2023-Announcements/2023-1-10-Governor-Hochul-Announces-Transformative-Investments-in-Energy-Affordability#:~:text=Homes%20that%20qualify%20through%20the,of%20their%20incomes%20on%20electricity.

meaningfully reduce their energy burden. As described in the New York State Climate Affordability Study, "benefits cliffs are a failure of policy design that penalize low- and moderate- income households for increasing their earnings and incentivizing households to remain below income eligibility thresholds unless their income would increase by enough to address the value of lost benefits."[4] We recommend that the Department consider increasing the threshold of eligibility to better account for customers who would historically fall into the "cliff effect" scenario, as well as to consider gradually phasing out benefits as incomes rise above the threshold, in order to avoid a sudden elimination of benefits.

3. *Question not answered.*

4. We strongly recommend that customers in arrears remain eligible for participation in energy affordability programs. Arrearage management programs are extremely valuable tools for enabling customers to manage bill debt and have debt be forgiven as payments are made on time. However, one-time utility bill debt relief or forgiveness programs address symptoms, rather than the underlying causes behind high energy burdens in the first place. Energy affordability programs should strive for systemic solutions that do not continually place vulnerable customers in cycles of debt. Further, energy burden and affordability must be considered within the context of New England's overreliance on fossil natural gas for heating and electricity; when gas prices spike, customers see commensurate increases in their utility bills. Massachusetts must make greater strides to drive down costs and therefore alleviate energy burdens, and a key solution for doing so is to reduce the current overreliance on gas by accelerating weatherization and electrification. The Department should commit greater resources to addressing pre-weatherization barriers and should expand heat pump rebates for low-income households. While gas customers are eligible for heat pump rebates, gas-to-electric conversions are not calculated as cost effective under current benefit-cost methodologies, which are ripe for reform in order to more accurately capture the benefits that electrification provides.

5. We understand the desire to prevent unlimited consumption of energy by applying a maximum amount of consumption each month. However, consideration must be given to the wide variation in housing quality and efficiency of heating and appliances, particularly for renters that have limited control over their built environment and sources of energy. We recommend that a maximum amount of consumption be set slightly above the average consumption and consider such factors as members of the household, efficiency measures, and unique circumstances. We also strongly recommend that any maximums be adjustable to accommodate significant beneficial increases in consumption, such as from electrification of heating/cooling or vehicles.

6. Energy affordability programs, in addition to advanced rate design offerings in general, should reflect seasonal fluctuations in energy usage in order to optimize benefits provided and price signals given to customers. They should also be calibrated to interact with and complement benefits programs that may be seasonal in nature, such as supplemental heating assistance programs for the winter season.

7. *Question not answered*

[4] Climate Affordability Study: Distributing the New York Cap and Invest Program's Consumer Climate Action Account Benefit, Final Report, Prepared by ICF, December 2023, page 37.

8. The core of energy affordability programs should be designed to provide relief based on income. However, additional incentives/rebates for environmental justice populations may also be designed to supplement income-based programs and address additional burdens faced by communities based on geography, race, language, housing quality, and more.

9. *Question not answered*

10. *Question not answered*

11. *Question not answered*

12. The cost of energy affordability programs may be structured to place greater financial burden on the most substantial users of energy, in order to further incentivize conservation among ratepayers outside of the most vulnerable customers. The DPU could similarly track the typical energy usage of ratepayers, and users who exceed that threshold could face a modest financial penalty (higher rate per usage) for usage above this typical level of consumption. By structuring the program this way, the cost of energy affordability programs would be less likely to negatively affect lower- or moderate-income customers. In addition, the overall concern for unlimited usage would be directed not only at the lowest income and most vulnerable customers, but across all ratepayers. To prevent those who heat with electricity from being penalized, ratepayers should be classified by heating type.

    Another route to consider would be taxpayer subsidization of a certain portion of the revenue shortfall associated with energy affordability programs, rather than relying fully on other ratepayers to make up this shortfall. In recent years, for example, New York State has made one-time and recurring appropriations from its state budget to help pay down pandemic era utility debt and allow for more significant or widespread utility bill relief.[5] The inherently more progressive allocation of taxpayer funding would help alleviate the risk for more regressive subsidization through reliance on other ratepayers to make up revenue shortfalls.

13. *Question not answered*

14. *Question not answered*

15. *Question not answered*

Responses Regarding Program Administration

1. Acadia Center recommends auto-enrollment for eligible customers in Rate R-2 to help address the unacceptably low participation rates and urges the Department to require the state's utilities to invest more resources in outreach and education for eligible customers. Additionally, barriers to being classified in an

[5] https://www.governor.ny.gov/news/governor-hochul-announces-energy-affordability-plan-and-actions-accelerate-clean-energy-future; https://dps.ny.gov/electric-and-gas-bill-relief-program.

auto-enrollment customer category should be identified to consider the full range of customers who could possibly qualify but are not currently verified for qualification.

Implementing a Formal 6% Energy Burden Cap

In general, Acadia Center recommends the implementation of an across-the-board six percent energy burden cap for all utility customers, with a priority for Low- and Moderate-Income customers. In working to meet a 6% energy burden cap, Acadia Center recommends that the Department look to existing programs designed to alleviate energy burden in other jurisdictions that include activities not covered in the Notice. As mentioned before, New York's EmPower+ program and the Energy Affordability Guarantee pilot, which holds households harmless as they electrify by providing upfront funding to cover weatherization and electrification investments, could be a model for Massachusetts as it seeks to alleviate energy burden while targeting clean energy investments at vulnerable households. Moreover, the Department should explore solutions to make gas-to-electric conversions more affordable for customers.

Sincerely,

Oliver Tully
Director, Utility Innovation and Reform
otully@acadiacenter.org
860-246-7121 x202

Kyle Murray
Director, State Program Implementation
kmurray@acadiacenter.org
617-742-0054 x106