



June 2, 2025

VIA ELECTRONIC FILING

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02100

Re: Inquiry by the Department of Public Utilities on its own Motion into a Seasonal Heat-Pump Rate, D.P.U. 25-08

Dear Secretary Marini:

On March 21, 2025, the Department opened an inquiry into seasonal heat-pump rates in response to the Department of Energy Resources' petition. The Department requested comments from interested stakeholders in its Vote and Order Opening Inquiry. Sierra Club respectfully submits these comments in response to issues 3 and 4 contained in the Department's Order regarding specific recommendations of the Interagency Rates Working Group (IRWG).

a. The Merits of Seasonal Heat Pump Rates

Sierra Club strongly supports the IRWG's recommendation for each electric distribution company (EDC) to deploy a cost-based, optional heat pump rate that is seasonally differentiated, including delivery charges and reconciling mechanisms.¹ Not only would a seasonal rate help encourage heat pump adoption by making winter electric rates more comparable to gas heating costs, but such a rate would be more cost-reflective and equitable. Currently, Massachusetts EDCs are summer peaking and expected to be so through 2033-2036.² A seasonal rate would also promote fairness and equity by recovering greater revenue from customers who use more electricity in the summer, and who therefore drive costs related to meeting peak demand.

Sierra Club also agrees with the IRWG's recommendation that seasonal differentiation should not be limited to base distribution rates, as base distribution rates tend to be a small portion of the total volumetric delivery charges that customers pay. Sierra Club retained Synapse Energy Economics, Inc. (Synapse) to assess the share of base distribution variable rates relative to reconciling rates and other adjustment mechanisms for Eversource's Boston territory, as

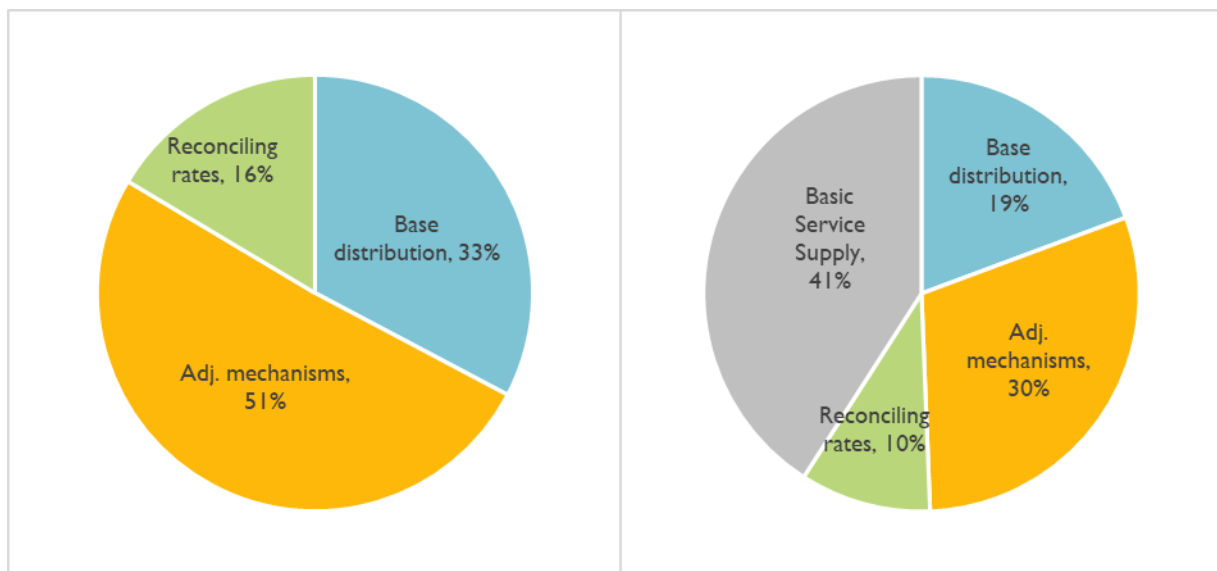
¹ Massachusetts Interagency Rates Working Group. Near-Term Rate Strategy Recommendations. December 2024, at 16.

² *Id.*, at 20, citing to each EDC's Electric Sector Modernization Plan (ESMP).

available in Eversource’s “Summary of Electric Service Delivery Rates,” filed on February 14, 2025.³

Eversource’s volumetric distribution charges consist of a volumetric base distribution rate of \$0.06/kWh, plus reconciling rates of \$0.03/kWh, for a total volumetric distribution charge of \$0.09/kWh. These reconciling rates include costs related to storm recovery, residential assistance, pension adjustments, advanced metering infrastructure, and numerous other items. In addition to these reconciling rates, Eversource has in place nine additional adjustment mechanisms and other factors related to transmission, renewable energy, energy efficiency, distributed solar net metering, electric vehicles, and more. These other adjustment mechanisms and other factors add another \$0.10/kWh in volumetric charges to Eversource’s total delivery volumetric rate. Thus, Eversource’s base distribution rate accounts for only 33 percent of a customer’s total volumetric delivery charge. When basic service (i.e., generation supply) is factored in, base distribution rates comprise only 19 percent of the total volumetric charge, as shown in the following figure and table.

FIGURE 1. SHARE OF DELIVERY VOLUMETRIC RATE (LEFT) AND TOTAL VOLUMETRIC RATE (RIGHT) FOR EVERSOURCE (BOSTON), MAY 2025



³ Eversource. Summary of Electric Service Delivery Rates. Available at: https://www.eversource.com/content/docs/default-source/rates-tariffs/ma-electric/1-tariff-ma.pdf?sfvrsn=2c5b9f03_13

TABLE 1. EVERSOURCE (BOSTON) VOLUMETRIC RATES

	\$/kWh	Percent of Delivery Volumetric Rate	Percent of Bundled Volumetric Rate
DELIVERY			
<i>Base distribution</i>	\$0.06	33%	19%
<i>Reconciling rates</i>	\$0.03	16%	10%
<i>Adj. mechanisms</i>	\$0.10	51%	30%
Subtotal: Delivery	\$0.19		
SUPPLY			
<i>Basic Service Supply</i>	\$0.13		41%
BUNDLED VOLUMETRIC RATE	\$0.32		

The implication of this analysis is that seasonally-differentiating only the base distribution rate will do little to create reduce winter electricity rates, since the base distribution rate comprises such a small portion of a customer’s total volumetric rate. Additional seasonal differentiation will likely be required to spur greater adoption of heat pumps.

In addition, there is a cost-based argument for differentiating at least some of the reconciling rates and adjustment mechanisms, particularly transmission rates. Currently, Eversource’s Boston area transmission rate is \$0.045/kWh, which is nearly half of the total adjustment mechanisms. While there are numerous drivers for transmission system investments, peak load plays a major role in determining transmission costs. As stated in ISO-New England’s *2050 Transmission Study*, “[r]educing peak load significantly reduces transmission cost.”⁴ Although New England is expected to eventually become winter-peaking, it is forecasted to remain summer-peaking until the mid-2030s. A seasonal rate should therefore recover more transmission costs in the summer than the winter, which would help improve the economics of heat pump adoption.

Recommendations for Heat Pump Rates

To support heat pump adoption, Sierra Club recommends that the Department direct the Massachusetts EDCs to implement seasonal heat-pump rates that apply seasonal differentiation to virtually all reconciling rates and adjustment mechanisms as well as base distribution rates in the near-term.⁵ Over the longer-term, seasonal differentiation should be limited to those costs that are clearly driven by seasonal peaks. Further, Sierra Club supports the adoption of time-

⁴ ISO-New England, Inc. Transmission Planning. 2050 Transmission Study. February 12, 2024, at 16. Available at https://www.iso-ne.com/static-assets/documents/100008/2024_02_14_pac_2050_transmission_study_final.pdf.

⁵ The DOER’s Petition recognizes that two reconciling mechanisms established by G.L. c. 25, §§ 19 (a) and 20 (a) for energy efficiency and renewable energy may not be possible to seasonally differentiate.

varying rates once the EDCs complete implementation of advanced metering infrastructure, as time-varying rates will be critical to reducing peak demand and lowering system costs.

In addition, Sierra Club recommends that the Department initiate a proceeding to evaluate the barriers to heat pump adoption at the commercial and industrial level, including and evaluation of commercial and industrial rate structures and cost allocation for grid upgrade costs. For example, the Department may wish to consider offering a beneficial electrification rate to commercial industrial customers, similar to that offered by BC Hydro in British Columbia. BC Hydro's rate discounts the standard transmission service rate on both the energy charge and demand charge for seven years (at 20 percent for the first five years, 13 percent for year six, and 7 percent in year seven). The discount only applies to the newly electrified portion of the customer load, which must be at least 20 GWh/yr.⁶

b. The Merits of the IRWG's Recommendations on Customer Marketing, Outreach, and Education

Sierra Club supports the IRWG's recommendations regarding customer marketing, education, and outreach (MEO). In particular, Sierra Club appreciates the IRWG's recommendation to consider leveraging Mass Save as a clearinghouse for MEO, and that the EDCs and program administrators should draw from best practices, MEO professionals, and the experience of other utilities when designing MEO efforts to maximize effectiveness and minimize costs.⁷ We also agree that the EDCs should strive to "create an experience for customers that is easy, convenient, and as frictionless as possible."⁸ This should include online portals to enable customers to enroll with a click of a button, as well as tools to help customers estimate their annual and monthly bills on a heat pump rate relative to the standard rate. In addition, Sierra Club recommends that customer satisfaction be monitored, in part, through the use of exit surveys to understand what customers may not have liked about the rate.

Respectfully submitted,

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⁶ BC Hydro. N.d. "Industrial electrification rates: Discounted rates to connect to BC Hydro's grid." <https://app.bchydro.com/accounts-billing/rates-energy-use/electricity-rates/electrification-rates.html>.

⁷ Massachusetts Interagency Rates Working Group. Near-Term Rate Strategy Recommendations. December 2024, at 26-27.

⁸ *Id.*, at 25.