

The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 20-80-E

August 8, 2025

Investigation by the Department of Public Utilities on its own Motion into the Role of Gas Local Distribution Companies as the Commonwealth Achieves its Target 2050 Climate Goals.

**INTERLOCUTORY ORDER ON POLICIES AND PRACTICES FOR LINE
EXTENSION ALLOWANCES AND CONTRIBUTIONS IN AID OF CONSTRUCTION
FOR GAS LOCAL DISTRIBUTION COMPANIES**

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I. INTRODUCTION AND RELEVANT PROCEDURAL HISTORY

On December 6, 2023, the Department announced a regulatory framework intended to set forth its role and that of the Massachusetts local distribution companies (“LDCs”) in working towards the Commonwealth’s target of net zero greenhouse gas (“GHG”) emissions by 2050.

Role of Gas Local Distribution Companies as the Commonwealth Achieves its Target

2050 Climate Goals, D.P.U. 20-80-B at 137 (2023).¹ The LDCs subject to the Department’s jurisdiction are: The Berkshire Gas Company (“Berkshire Gas”); Boston Gas Company d/b/a National Grid (“Boston Gas”); Eversource Gas Company of Massachusetts (“EGMA”) and NSTAR Gas Company (“NSTAR Gas”), each d/b/a Eversource Energy (together, “Eversource”); Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”); and Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty (“Liberty”). The Department’s Order established regulatory principles to guide its decision-making in future proceedings, which may include technical conferences, adjudications, and additional investigations wherein the Department (with the input of stakeholders and the LDCs) will investigate and implement the issues and principles identified in the Order. D.P.U. 20-80-B, at 5-6.

Among other policies, the Department determined that it would examine and revise the standards for investments to serve new customers. D.P.U. 20-80-B at 98. To that end, the Department directed the LDCs to begin reviewing their existing tariffs, policies, and practices related to new service connections to determine: (1) the number of *de facto* free line extension allowances; (2) whether current models and policies accurately reflect the anticipated income

¹ For background and a complete procedural history, refer to D.P.U. 20-80-B at 4-13.

and timeframe over which the capital investments will be recovered; and (3) whether existing state policies are inconsistent with current practices by incentivizing new customers to join the gas distribution system and allowing LDCs to extend their systems through plant additions.

D.P.U. 20-80-B at 99.

On June 14, 2024, the Department directed the LDCs to submit to the Department no later than August 13, 2024, information based on their review of existing tariffs, policies, and practices related to new service connections. D.P.U. 20-80, Hearing Officer Memorandum at 3 (June 14, 2024). The LDCs submitted timely responses, including testimony and exhibits.² In addition to providing information and data on its company-specific line extension allowances, each LDC claimed that its existing practices are consistent with state policies, including state policies regarding GHG emissions reduction (Exhs. BGC at 8-9; ES-1, at 14-20; Liberty-1, at 11-12; NG-1, at 19-20; CCAF-1, at 13-15).

² Berkshire Gas submitted the testimony of Frank Maher, senior business services manager, Berkshire Gas (“BGC”) and attachments BGC-2 through BGC-6. Boston Gas submitted the testimony of James H. Patterson, Jr., director, customer connections, National Grid USA Service Company, Inc. (“NG-1”), and NG-2 through NG-7. Eversource submitted the testimony of: (1) Thomas C. Desrosiers, director, budget and investment planning group, Eversource Energy Service Company; (2) Liam J. Needham, director, gas operations sales and marketing, Eversource Energy; and (3) Tracy A. Giofriddo, climate and environmental regulatory program lead, Eversource Energy Service Company (“ES-1”), and attachments ES-2 through ES-5. Liberty submitted the testimony of: (1) Kristin M. Jardin, director of rates and regulatory affairs, Liberty; and (2) Ryan M. Lagasse, senior manager, key accounts, Liberty (“Liberty-1”), and attachments Liberty-2 and Liberty-3. Until submitted the testimony of: (1) Cindy L. Carroll, vice president, customer energy solutions, Until Service Corp.; and (2) Andre J. Francoeur, financial planning and analysis manager, Until Service Corp., (“CCAF-1”), and CCAF-2 through CCAF-4.

The Department also invited interested parties to file written comments on the LDCs' line extension filings no later than October 11, 2024. D.P.U. 20-80, Hearing Officer Memorandum at 3-4 (June 14, 2024). The Department sent the memorandum soliciting written comments to the distribution list established for this proceeding³ and posted the memorandum on the Department's website.

The Department received comments on the LDCs' line extension tariffs, policies, and practices from the following stakeholders: (1) Groundwork Data; (2) Energy Futures Group, Inc.; (3) Conservation Law Foundation ("CLF"), Environmental Defense Fund ("EDF"), and Sierra Club Environmental Law Program, jointly ("Joint Comments"); (4) the Attorney General of the Commonwealth of Massachusetts ("Attorney General"); (5) the Massachusetts Department of Energy Resources ("DOER"); (6) RMI; and (7) Advanced Energy United ("AEU"). D.P.U. 20-80, Hearing Officer Memorandum at 2 (February 25, 2025). These stakeholders all shared the position that line extension allowances are inconsistent with the state's GHG emissions reduction targets because the practice of gas ratepayers bearing costs associated with

³ The Department's Vote and Order Opening Investigation issued on October 29, 2020 established the distribution list in this proceeding. D.P.U. 20-80, Vote and Order at 8. The Department's Order directed the LDCs to initiate a joint request for proposals for an independent consultant to conduct a study and prepare a report to inform and support each LDC's proposal to help the Commonwealth achieve its 2050 climate goals. D.P.U. 20-80, Vote and Order at 6. On March 23, 2022, upon the LDCs' filing of the report, the Department issued a notice of filing, public hearing, and request for comments on the report and ordered the LDCs to: (1) publish the notice in several newspapers; and (2) serve the notice on: (a) the mayors, chairs of select boards, town clerks, and city clerks in their service territories, (b) the list of D.P.U. 20-80 stakeholders maintained by the LDCs' stakeholder facilitator, and (c) any person who has filed a request for notice with the LDCs. All documents issued by the Department in this proceeding have been sent to the resulting distribution list, which the Department has updated throughout this proceeding and today includes over 200 contacts representing a broad range of interests.

new service or line extensions works against policies meant to decrease the use of natural gas and to encourage electrification. D.P.U. 20-80, Hearing Officer Memorandum at 4 (February 25, 2025). Accordingly, most commenters urged the Department to reduce or eliminate line extension allowances to achieve GHG emissions reductions and to prevent stranded costs for gas customers (i.e., incurring costs for new gas distribution system plant investment with an expected useful life that exceeds the anticipated duration of use of such system). D.P.U. 20-80, Hearing Officer Memorandum at 4 (February 25, 2025). Moreover, multiple interested parties noted that reducing or eliminating line extension allowances aligns with public utility commission decisions and legislative initiatives in several other jurisdictions, including California, Colorado, Minnesota, New York, Oregon, Washington, and Ontario.⁴ D.P.U. 20-80, Hearing Officer Memorandum at 4 (February 25, 2025).

On February 5, 2025, following review of the comments, the Department solicited comments on the following draft line extension policy (“February Straw Proposal”):

Effective as of a date to be established in this proceeding, an LDC shall require a customer seeking an extension for new gas service to pay for the entire cost of

⁴ More recently, the Maryland Public Service Commission issued a decision terminating line extension allowances for new residential and commercial customers, finding that “new natural gas customers should pay the full cost of extending service to them, thus minimizing any future potential for stranded costs with respect to new extensions, and reducing any subsidization of gas extensions.” Petition of the Office of People’s Counsel for Near-Term, Priority Actions and Comprehensive, Long-Term Planning for Maryland’s Gas Companies, Case No. 9707, Order No. 91683, at 9 (Md. Pub. Serv. Comm’n June 13, 2025) (“Order No. 91683”). In addition, on June 17, 2025, the New York State Legislature passed S8417/A8888, which repeals a rule that required utility companies to supply natural gas to any customer within 100 feet of an existing line, with the cost falling on ratepayers. The bill requires the signature of Governor Kathy Hochul to become effective; if the bill becomes law, residential customers seeking a new gas line would have to pay the full cost for material and installation themselves. <https://www.nysenate.gov/legislation/bills/2025/A8888>.

connecting to the distribution system unless the circumstances qualifying for an exception, as set forth below, are present. Under this policy, the costs paid by a customer for a new service or line extension shall be booked to an LDC's CIAC account. No costs associated with a new service or line extension shall be deemed prudently incurred and, thus, eligible for inclusion in an LDC's rate base, unless the LDC demonstrates in a base distribution rate case or other proceeding that the circumstances described below are present.

As an exception to this general policy against line extension allowances, an LDC may provide a line extension allowance towards a customer's CIAC where:

(1) the project associated with the proposed line extension allowance will lead to a demonstrable reduction in GHG emissions; (2) the gas line extension required for the project is consistent with achieving the GHG limits under Chapter 21N; and (3) the project applicant demonstrates that it has no feasible alternatives to the use of natural gas, including electrification. If these criteria are met, an LDC may opt to calculate a customer's CIAC using its existing internal rate of return models, provided that an LDC granting such exception will bear the burden of demonstrating, at the time that it seeks to include any costs associated with a new service or line extension in rate base, that: (1) the project met the criteria described above; and (2) the incremental costs to connect the customer do not exceed the estimated incremental revenues from the connecting customer, so that existing customers do not subsidize the cost of the extension of service.

D.P.U. 20-80, Hearing Officer Memorandum at 4 (February 25, 2025).

In response to the February Straw Proposal, the Department received comments from dozens of interested stakeholders, including: (1) Berkshire Gas; (2) Boston Gas; (3) Eversource; (4) Liberty; (5) Unitil; (6) the Attorney General; (7) DOER; (8) NAIOP; (9) Greater Boston Real Estate Board ("GBREB"); (10) AEU; (11) Town of Douglas, Massachusetts; (12) Massachusetts Chemistry and Technology Alliance ("MCTA"); (13) Associated Industries of Massachusetts ("AIM"); (14) Mass Coalition for Sustainable Energy ("MCSE"); (15) Home Energy Efficiency Team, Inc. ("HEET"); (16) RMI; (17) Rewiring America, Acadia Center, Sierra Club, EDF, CLF, Gas Transition Allies, Brookline Mothers Out Front, HEETlabs, Green Energy Consumers Alliance, ZeroCarbonMA, Vote Solar, Pipe Line Awareness Network for the Northeast, Inc, and

the Environmental League of Massachusetts, jointly (“Rewiring America”); and (18) CLF, EDF, and Sierra Club, jointly (“CLF/EDF/Sierra Club”).

On April 1, 2025, following the initial round of comments but prior to reply comments on the February Straw Proposal, each LDC filed its 2025 Climate Compliance Plan (“CCP”) in accordance with the Department’s directives in D.P.U. 20-80-B. The Department docketed the CCPs as D.P.U. 25-40 through D.P.U. 25-45. On May 7, 2025, the Department issued notices of filing, public hearings, and request for comments in each of the CCP proceedings, noting therein that the Department would continue its investigation of the LDCs’ line extension allowance policies and the Department’s line extension allowance straw proposal in each LDC’s CCP docket. E.g., D.P.U. 25-40, Notice of Filing, Public Hearings, and Request for Comments at 2 (May 7, 2024).

II. SUMMARY OF COMMENTS ON FEBRUARY STRAW PROPOSAL

A. Overview

The majority of stakeholders support the general principles behind the February Straw Proposal to reduce or eliminate line extension allowances (Attorney General Comments at 6-7; DOER Comments at 4-5; AEU Comments at 1-2; CLF/EDF/Sierra Club Comments at 2; HEET Comments at 2; Rewiring America Comments at 3-7; RMI Comments at 2). A minority of stakeholders, namely the LDCs and commercial trade organizations, oppose the February Straw Proposal (AIM Comments at 1; Town of Douglas Comments at 1; GBREB Comments at 1; MSCE Comments at 1-3; MCTA Comments at 1; NAIOP Comments at 1-2). While the LDCs express general support for the Department’s policy goals, they also expressed concerns about the effect of this policy on economic development, customer choice, fuel selection, and low- and

moderate-income (“LMI”) residents of the Commonwealth (Berkshire Comments at 1-2; Eversource Comments at 7-11; Boston Gas Comments at 3-5; Unitil Comments at 3-10). Regardless of their individual positions, there is a broad consensus that the proposed exceptions are ambiguously defined and in need of clarification (see, e.g., Attorney General Comments at 7-11; DOER Comments at 6; AEU Comments at 2-4; Rewiring America Comments at 7-17; CLF/EDF/Sierra Club Comments at 3-4; RMI Comments at 2-4; HEET Comments at 3-6; Berkshire Comments at 7-8; Eversource Comments at 7-11; Boston Gas Comments at 5-7; Unitil Comments at 10-13; NAIOP Comments at 1-2; GBREB Comments at 1; MCTA Comments at 1; AIM Comments at 1; MCSE Comments at 5).

B. Comments in Support of Reducing or Eliminating Line Extension Allowances

Several stakeholders contend that the purported negative impacts of reducing or eliminating line extension allowances are unsupported, misguided, or overstated (Attorney General Reply Comments at 12-13; Rewiring America Comments at 2-3; Rewiring America Reply Comments at 3-4). Specifically, several stakeholders assert that the policy will ensure that economic development aligns with the Commonwealth’s climate policies by requiring developers to consider the actual costs of natural gas against electrification and decarbonized energy (Attorney General Reply Comments at 12-13; Rewiring America Comments at 2-3; Rewiring America Reply Comments at 3-4). Further, several stakeholders contend that the proposed policy maintains customer choice while eliminating an unwarranted incentive and saving existing customers the expense of covering the upfront costs of new connections (Attorney General Reply Comments at 6; AEU Comments at 2; AEU Reply Comments at 2-3; CLF/EDF/Sierra Club Reply Comments at 1-2).

Regarding the impacts on LMI customers, several commenters express concerns regarding affordability for LMI households as the distribution system shrinks and argue that the proposed policy protects LMI households (Attorney General Reply Comments at 11, 13; Rewiring America Reply Comments at 9-10; CLF/EDF/Sierra Club Reply Comments at 2). Rewiring America specifically suggests education for LMI customers and opposes exit fees (Rewiring America Reply Comments at 8). The Attorney General adds that the policy protects the interests of LMI ratepayers by focusing on lifetime rather than upfront costs (Attorney General Reply Comments at 5). Moreover, several commenters oppose delaying the proposed policy and express concerns regarding the risks of increasing costs for ratepayers and the risk of a system expansion “death spiral” (Attorney General Reply Comments at 5, 11,14; AEU Reply Comments at 4-5; Rewiring America Comments at 5-7; Rewiring America Reply Comments at 11; HEET Comments at 2).

Stakeholders that support the general policy have differing views with respect to the proposed exceptions. Several commenters question the need for any exceptions and recommend that the Department mandate that future customers pay the full cost of any gas extensions (CLF/EDF/Sierra Club Comments at 3; RMI Comments at 4-5). Others support exceptions if they are based on technical feasibility (i.e., not economic feasibility) and are determined on a case-by-case basis (Attorney General Reply Comments at 13-14; AEU Reply Comments at 4; CLF/EDF/Sierra Club Reply Comments at 3-4; HEET Comments at 2, 5; RMI Comments at 6). HEET further suggests that exceptions include any approved, non-emitting renewable thermal infrastructure such as networked geothermal to help reach climate goals (HEET Comments at 5). RMI proposes that, if there are exceptions, the Department could either: (1) require full

contribution-in-aid-of-construction (“CIAC”) payment upfront but allow for a future refund if an exception is determined to be justified; or (2) allow the LDCs to cover the upfront costs with a requirement that the connecting customer pay the full cost if the exception is later rejected by the Department (RMI Comment at 4).

C. Comments Opposed to Reducing or Eliminating Line Extension Allowances

Several commenters opposed to the proposed policy contend that such a change would be detrimental to residential and commercial development, particularly at a time when there is a pressing need for additional housing stock in Massachusetts, and would hinder development in rural and low-income areas (AIM Comments at 2-3; GBREB Comments at 1-2; NAIOP Comments at 2; Town of Douglas Comments at 1). Further, the LDCs question the purported benefits of the policy with respect to reducing greenhouse gas emissions, alleging that the adoption of the proposed policy would create a perverse incentive for customers to select higher emitting fuel sources instead of natural gas (Eversource Comments at 8-11; Liberty Comments at 5). Moreover, the LDCs assert that the proposed policy is not aligned with the interests of customers and will deprive customers of choices in meeting their energy requirements (Eversource Comments at 10; Liberty Comments at 4-6). The LDCs also question the characterization of line extension allowances as a subsidy and argue that because CIACs are determined based on internal rate of return analyses, there is no cross-subsidization by existing customers (see, e.g., Eversource Comments at 5).

D. Comments on Procedural Next Steps

DOER proposes that the Department conduct additional technical sessions to work out the required details in the proposed line extension policy (DOER Comments at 6-7). Similarly,

Boston Gas recommends that the Department conduct a series of listening sessions throughout the Commonwealth in those cities and towns most likely to be affected by this new policy (Boston Gas Reply Comments at 2). MCTA questions the adequacy of public notification, contending that parties who do not routinely appear before the Department or monitor its proceedings have not been heard (MCTA Comments at 2). As a remedy, MCTA urges the Department to delay the implementation of its policy and adopt a stakeholder-focused process that is removed from D.P.U. 20-80 (MCTA Comments at 3).

III. ANALYSIS & FINDINGS

The Department appreciates the participation of all stakeholders and their responses to the February Straw Proposal. We acknowledge that revising line extension policies may have broad reach, and consistent with our other significant, broadly applicable decisions, we determine that further consideration of these issues is appropriate. We note that the proposed line extension policy is relevant to the full range of topics that are under examination in the CCP dockets, D.P.U. 25-40 through D.P.U. 25-44/25-45, given the relationship between continued growth in natural gas load (and, correspondingly, the potential role of line extension policies in encouraging that continued load growth) versus the overall objective of the CCPs to ensure that the LDCs are on a pathway to achieve the Commonwealth's GHG emission reduction targets. Accordingly, for purposes of administrative efficiency, and to permit further examination of these issues, the Department will continue its investigation into the LDCs' line extension policies in the CCP proceedings. At the same time, however, it is appropriate for the Commission to address the comments submitted in this proceeding and enunciate a revised line extension

allowance policy straw proposal (“Revised Straw Proposal”) as the basis for that further examination in the CCP proceedings.

As noted above, most of the stakeholders submitting comments on the February Straw Proposal share the position that line extension allowances are inconsistent with the state’s GHG emissions reduction targets because the practice of existing gas ratepayers bearing costs associated with new service or line extensions is contrary to policies meant to decrease the use of natural gas and to encourage electrification. These commenters also note that eliminating line extension allowances would reduce the likelihood that additional investments in the gas distribution system would be stranded (i.e., new gas distribution system plant investment with an expected useful life that exceeds the anticipated duration that such system will remain in use), with such stranded costs ultimately being borne by future gas ratepayers.

Furthermore, we take notice of several legislative changes implemented during the Department’s inquiry into line extension policies, which align with the Department’s actions to discourage further expansion of the natural gas system, including our proposed changes to line extension allowance policies. Section 49 of An Act Promoting A Clean Energy Grid, Advancing Equity and Protecting Ratepayers, St. 2024, c. 239 (“2024 Climate Act”) amended G.L. c. 164, § 30, requiring the Department to consider the following factors in our review of a petition to authorize the expansion of an LDC’s service territory: (1) the Commonwealth’s GHG emissions limits and sublimits established pursuant to G.L. c. 21N; (2) the interest in avoiding stranded costs; and (3) the availability of alternatives to natural gas. Also, Section 77 of the 2024 Climate Act amended G.L. c. 164, § 92, requiring the Department to consider, among other factors, the public interest in reducing GHG emissions in determining whether to issue an order compelling

the supply of gas service.⁵ Lastly, Section 99 of the 2024 Climate Act repealed Section 3 of the Gas Leaks Act, St. 2014, c. 149, which encouraged investments in new main and service extensions and increased use of natural gas. See D.P.U. 20-80-B at 100 (recommending the repeal of Section 3 of St. 2014, c. 149 based on its inherent conflict with the Commonwealth’s climate laws). We also note the growing precedent from other states that continuing to grant allowances toward line extensions is inconsistent with the phasing out of the natural gas distribution system that is necessary to achieve GHG emission reduction targets. In mid-June, for example, two additional states – Maryland and New York – took action to eliminate line extension allowances.⁶

The comments in opposition to the February Straw Proposal raise several points. First, the LDCs claim that eliminating line extension allowances would result in the subsidization of existing customers by new customers. The LDCs claim that their existing CIAC policy does not incentivize new customers to join the gas distribution system but simply recognizes that a customer’s future revenues will pay for any new infrastructure over time (see, e.g., Eversource Comments at 4-8). As noted by the Attorney General, however, the revenue stream attributed to new customers assumes “unrealistically long” repayment periods and fails to reflect that usage is likely to decline as the Commonwealth continues to decarbonize (Attorney General Comments at 2-3). Moreover, the methodology used by the LDCs in calculating a CIAC does not include

⁵ In light of the legislative changes to G.L. c. 164, § 92, we find it is appropriate to issue briefing questions to the parties in the CCP proceedings at a later date regarding the LDCs’ obligation to serve.

⁶ See note 4 above.

any consideration – through a price on greenhouse gas emissions, for example⁷ – of the environmental impact of the additional gas combustion facilitated by the expansion of the gas distribution system through line extensions (see, e.g., Eversource Comments at 5). We decline to go down the path of analyzing each component of the LDCs’ internal rate of return analyses in their CIAC policies and revising those assumptions to reflect the reality of a Commonwealth-wide decarbonization strategy. Such granular analysis is unnecessary to determine that incentivizing the expansion of the gas distribution system through line extension allowances contravenes the Commonwealth’s climate laws and strategies and likely will result in additional stranded investment that ultimately will be borne by gas customers.

Second, the LDCs assert that the proposed policy does not align with customer interests, depriving them of choices in meeting their energy requirements (Eversource Comments at 10; Liberty Comments at 4-6). Nothing about the February Straw Proposal, however, denies a customer the choice of continuing to use natural gas. Customers that prefer to use natural gas will simply pay the full cost of extending service to them, thereby appropriately placing the risk of future stranded costs on the parties causing the risk and prioritizing the affordability of gas service for existing and future customers (Attorney General Reply Comments at 6; AEU Reply Comments at 2). Eliminating line extension allowances neither incentivizes nor disincentivizes new gas extensions (Attorney General Reply Comments at 6 (“Limiting line extension

⁷ Rewiring America, for example, notes that Massachusetts law already requires consideration of the social cost of carbon when approving funding for energy efficiency and demand reduction programs, and therefore the same consideration should apply to the assessment and quantification of allowances for line extensions to show the value of the emissions reduction (Rewiring America Comments at 13).

allowances...only removes an unwarranted incentive.”). The Maryland Public Service Commission reached a similar conclusion in its recent order discontinuing line extension allowances. Order No. 91683, at 9 (“This new direction is a neutral stance, neither subsidizing nor discouraging new gas extensions. Moreover, a change in the extension policy at this time is consistent with traditional ratemaking principles. Basic cost causation principles dictate that to the degree possible, the entity causing the cost should be the entity that bears the cost.”).

A third point raised by opponents to the February Straw Proposal is that adoption of the proposed policy would create a perverse incentive for customers to select higher emitting fuel sources (especially heating oil or propane) instead of natural gas (Eversource Comments at 9; Liberty Comments at 5; Berkshire Gas Comments at 6; Unitil Comments at 5-6). Eversource, for its part, cites a hypothetical example where a developer has determined that electrification is not a feasible option⁸ and thus “would be forced down a path of utilizing oil or propane for [its] development” (Eversource Comments at 9). No evidence is offered to suggest that such a situation is anything more than a rare or isolated circumstance rather than indicative of a “long-term shift to using oil and propane for customers’ thermal needs” (Eversource Comments at 9; Liberty Comments at 5; Berkshire Gas Comments at 6; Unitil Comments at 5-6). Moreover, research provided by the stakeholders demonstrates that, as of 2024, all-electric new construction costs in Massachusetts are within a range of one percent less or more of fossil fuel new construction for most building types (Rewiring Data Reply Comments at 2; Groundwork Data

⁸ The claimed underlying reasons for the infeasibility of electrification are “either due to cost concerns, customer adoption issues, concerns about the efficacy of air source heat pumps for the building use, unavailability of electrification, and other factors” (Eversource Comments at 9).

Comments at 2). In any event, we have determined that it is a better course of action to address in other proceedings the claimed barriers to electrification than to maintain a line extension policy that locks in continued growth in the natural gas distribution system that is contrary both to the Commonwealth's climate goals and to the minimization of potentially stranded costs.⁹

See, e.g., Inquiry by the Department of Public Utilities on its own Motion into a Seasonal Heat-Pump Rate, D.P.U. 25-08, Vote and Order Opening Inquiry at 2-3, 7-9 (March 21, 2025); 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, D.P.U. 24-15, Vote and Order Opening Inquiry at 1 (2024); D.P.U. 24-15, Hearing Officer Memorandum (December 26, 2024) (requesting comment on discounted rates for moderate-income customers); Electric Sector Modernization Plans, D.P.U. 24-10/D.P.U. 24-11/D.P.U. 24-12, at 270 (2024) ("The Department reiterates our obligation to ratepayers to preserve affordability through rigorous oversight of utility expenditures to ensure that costs are minimized and that the [electric distribution companies] are giving due consideration to alternative, lower cost solutions").

Finally, proponents of maintaining line extension allowances express concerns about adverse impacts to residential and commercial development and manufacturing companies, and disproportionate hardship for rural and low-income areas (AIM Comments at 2-3; GBREB Comments at 1-2; NAIOP Comments at 2; Town of Douglas Comments at 1; MCTA Comments at 1). The Department has given careful consideration to the comments and information

⁹ As an example of such continued growth, we note that in the most recent forecast and supply plan of NSTAR Gas Company, D.P.U. 24-106, the Company expects the number of residential heating customers to increase by 1.63 percent annually over the forecast period. NSTAR Gas Company, D.P.U. 24-106, at 11 (July 14, 2025).

provided by the stakeholders on these issues. We agree with the Attorney General that, “[c]ontrary to the LDCs’ claims, removing line extension allowances protects LMI ratepayers” (Attorney General Reply Comments at 5). Our decision to move forward with our examination of the Revised Straw Proposal in the CCP proceedings and address the claimed barriers to electrification in other proceedings is guided by our priorities to safeguard affordability for ratepayers, achieve the Commonwealth’s clean energy and decarbonization goals, and ensure an equitable energy transition. G.L. c. 25, § 1A. Furthermore, the Department’s Revised Straw Proposal below preserves the ability for a potential customer to demonstrate that technically feasible alternatives to the use of natural gas for a particular application do not exist and, thus, a line extension allowance may be appropriate. We provide additional clarification of the circumstances that may justify a line extension allowance below, and we will give due consideration to all evidence and arguments submitted in the CCP proceedings concerning the implementation of the Revised Straw Proposal.

IV. REVISED STRAW PROPOSAL

As noted above, while there was broad support for the general direction of the February Straw Proposal to discontinue line extension allowances, there was also a consensus among the commenters that the proposed exceptions included in the policy are ambiguously defined and in need of clarification (see, e.g., Attorney General Comments at 7-11; DOER Comments at 6; AEU Comments at 2-4; Rewiring America Comments at 7-17; CLF/EDF/Sierra Club Comments at 3-4; RMI Comments at 2-4; HEET Comments at 3-6; Berkshire Comments at 7-8; Eversource Comments at 7-11; Boston Gas Comments at 5-7; Unitil Comments at 10-13; NAIOP Comments at 1-2; GBREB Comments at 1; MCTA Comments at 1; AIM Comments at 1; MCSE Comments

at 5). The Department agrees that revisiting the proposed exceptions in the February Straw Proposal is warranted.

In developing the proposed exceptions, the Department aimed to accommodate the rare situation where there may be a “hard-to-electrify” commercial or industrial application. The third of the three proposed exceptions – “[t]he project applicant demonstrates that it has no feasible alternatives to the use of natural gas, including electrification” – was expressly designed to address that situation. A number of commenters recommended that the reference to “feasible” be limited to technical infeasibility, rather than allowing consideration of financial or practical infeasibility (Rewiring America Comments at 13; Attorney General Comments at 11). Apart from these “hard-to-electrify” situations, there is unlikely to be any situation where the proposed exceptions would apply. We therefore revise the February Straw Proposal to eliminate the first two exceptions, and to restate the third exception to clarify that the reference to infeasibility means “technical” infeasibility.

The proposed line extension allowance policy, as revised, is as follows:¹⁰

Effective as of a date to be established in each LDC’s Climate Compliance Plan proceeding, each LDC shall require a customer seeking an extension for new gas service to pay for the entire cost of connecting to the existing distribution system, unless such customer can demonstrate that it has no technically feasible alternative to the use of natural gas, including electrification.

¹⁰ We note that this Revised Straw Proposal applies only to line extension allowances for new gas service. For other thermal options not involving additional investment in fossil fuel infrastructure (such as networked geothermal), a line extension allowance using a traditional CIAC analysis that reflects, among other things, avoided gas and electric system costs, may be appropriate (Eversource Comments at 10-11; AEU Reply Comments 3).

V. NEXT STEPS

As noted above, on May 7, 2025 the Department issued notices of filing, public hearings, and request for comments in each of the CCP proceedings that notified the public that the Department would continue its inquiry into the LDCs' line extension allowance policies and the Department's Revised Straw Proposal in the CCP proceedings. To accommodate broader participation in the examination of this issue, the Department issued the Notices for the CCP proceedings to the distribution list in D.P.U. 20-80.

The Department directs each LDC to file with the Department proposed revisions to all of its applicable tariffs necessary to implement the Revised Straw Proposal for review in its CCP proceeding within 30 days of this Order, to become effective as of the prescribed effective date, which should be no later than six months after issuance of each CCP order.¹¹ Such tariff sheets shall specify the method by which the cost for extending gas service will be determined (e.g., a case-by-case calculation using actual costs, or a formula, to be updated on a regular basis by the LDC, using actual construction costs to determine a representative cost per foot or similar charge for both main and service lines). Such tariff sheets shall also specify whether costs are to be recovered from the customer immediately or paid over a reasonable time period. An LDC claiming eligibility for the exception shall have the burden of demonstrating, at the time that it seeks to include any costs associated with a new service or line extension in rate base, that:

(1) the customer has no technically feasible alternative to the use of natural gas, including electrification; and (2) the incremental costs to connect the customer do not exceed the estimated

¹¹ As noted in AEU's comments, recent precedent suggests that line extension allowance changes can be made with several months' advance notice (AEU Comments at 4).

incremental revenues from the connecting customer, so that existing customers do not subsidize the cost of the extension of service. Separate and apart from the general policy relating to line extension allowances as set forth in the Revised Straw Proposal, it may be appropriate to address affordability issues for LMI customers through a different mechanism not included as part of a line extension tariff.

The parties will have an opportunity in the CCP proceedings to submit evidence and briefs on the Revised Straw Proposal set forth above and the LDCs' proposed tariff revisions, as well as to offer possible solutions to address affordability issues for LMI customers.¹² Inasmuch as the record regarding line extensions developed in this proceeding will be incorporated into the record in each LDC's CCP docket, there is no need for the parties to repeat arguments or statements previously expressed in this proceeding, as those submissions have been considered and addressed by the Commission in its development of the Revised Straw Proposal.

VI. ORDER

Accordingly, after notice, comment, and due consideration, it is:

ORDERED: That the Department shall send a copy of this Order via electronic mail to all persons on the distribution list for this proceeding; and it is

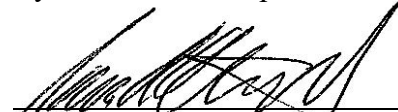
FURTHER ORDERED: That, within 30 days of this Order, The Berkshire Gas Company; NSTAR Gas Company and Eversource Gas Company of Massachusetts each d/b/a Eversource Energy; Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty;

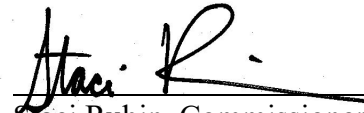
¹² In this regard, AEU suggests targeting relief for properties serving low-income residents (e.g., properties that are being developed by Housing Authorities or are leveraging the Low-Income Housing Tax Credit program) (AEU Comments at 5).

Boston Gas Company d/b/a National Grid; and Fitchburg Gas and Electric Light Company d/b/a Until shall each file with the Department proposed revisions to all applicable tariffs as necessary to implement the revised line extension policy set forth herein; and it is

FURTHER ORDERED: That The Berkshire Gas Company; NSTAR Gas Company and Eversource Gas Company of Massachusetts each d/b/a Eversource Energy; Liberty Utilities (New England Natural Gas Company) Corp. d/b/a Liberty; Boston Gas Company d/b/a National Grid; and Fitchburg Gas and Electric Light Company d/b/a Until shall comply with all directives contained in this Order.

By Order of the Department,


James M. Van Nostrand, Chair


Staci Rubin, Commissioner