

The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 20-145-B

December 30, 2021

Joint Petition of Fitchburg Gas and Electric Light Company d/b/a Unitil, Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid, and NSTAR Electric Company d/b/a Eversource Energy for Approval of Revised Model Solar Massachusetts Renewable Target Program Provision.

ORDER ON PHASE I REVISIONS TO THE MODEL SMART PROVISION

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I. INTRODUCTION

A. Background

On December 3, 2020, Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”), Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid (“National Grid”), and NSTAR Electric Company d/b/a Eversource Energy (“Eversource”) (collectively “Distribution Companies”) submitted to the Department of Public Utilities (“Department”) for review and approval of a joint filing (“Filing”) with revisions to the current model Solar Massachusetts Renewable Target (“SMART”) tariff (“SMART Provision”) implementing revisions to 225 CMR 20.00 and proposing other changes.¹ The regulations at 225 CMR 20.00 (“SMART Regulations”) set forth a voluntary statewide solar incentive program (“SMART Program”) to implement an Act Relative to Solar Energy, St. 2016, c. 75 (“Solar Act”).² Among other things, the purpose of the Solar Act is to encourage the continued development of solar renewable energy generating sources by residential, commercial, governmental, and industrial electricity customers while lowering

¹ The Filing includes the following: joint petition (“Petition”); joint Distribution Companies’ testimony, Exhibit EDC-1; and revised model SMART Provision, Exhibit EDC-2.

² The Legislature directed the Massachusetts Department of Energy Resources (“DOER”) to develop the SMART Program and to issue regulations implementing the program. St. 2016, c. 75, § 11(b). Eligible solar developers are paid incentives under the SMART Program through tariffs of the Distribution Companies on file with and approved by the Department. 225 CMR 20.05.

the cost of the Commonwealth's solar incentive programs³ for ratepayers, as well as to promote the orderly transition to a stable and self-sustaining solar market at a reasonable cost to ratepayers. St. 2016, c. 75, §§ 11(a), (b).

On July 24, 2020, DOER promulgated revised SMART Regulations. DOER's revised SMART Regulations and corresponding revised SMART Guidelines⁴ made several revisions to the SMART Program, including an increase in the size of the SMART Program to support an additional 1,600 megawatts ("MW") of capacity, adjustments to incentive rate formulas, modifications to eligibility requirements, and the creation of new categories of projects that may be eligible for incentives under the SMART Provision.⁵ In the Filing, the Distribution Companies propose changes to the SMART Provision that are intended to: (1) reflect the revised SMART Regulations; (2) provide additional clarifications not directly related to the revisions in the SMART Regulations; and (3) enable a Distribution Company-administered low-income community solar program (Petition at 3-4). The Department docketed this matter as D.P.U. 20-145.

³ Solar incentive programs are the current SMART Program, the Solar Renewable Energy Certificate ("SREC") I Program, and SREC II Program.

⁴ These guidelines are a set of clarifications, interpretations, and procedures developed by DOER to assist in compliance with the SMART Regulations. 225 CMR 20.02 (Definitions).

⁵ For purposes of this Order, SMART Program Expansion means the operation of the SMART Program under the revised SMART Regulations and the associated Guidelines.

B. SMART Provision

In 2018, the Department approved the original model SMART Provision. Model SMART Provision, D.P.U. 17-140-A (2018). The SMART Provision is the primary vehicle for the funding and operation of the SMART Program. 225 CMR 20.00; St. 2016, c. 75, § 11(b)(vi). The SMART Provision is applicable to solar tariff generation units (“STGUs”) that have received a statement of qualification from DOER (Exh. DOER 1-1, Att., § 1.0).⁷

Key elements of the SMART Provision are:

- (1) incentive payments for renewable portfolio standard (“RPS”) class I renewable generation attributes and/or environmental attributes produced by a STGU;⁸⁹
- (2) alternative on-bill credits (“AOBCs”) for energy generated by an AOBC unit;¹⁰
and

⁶ STGU refers to a solar tariff generation unit, as defined in 225 CMR 20.02, that generates electricity using photovoltaic technology and meets all the eligibility criteria set forth in 225 CMR 20.05 and 20.06 and has received a statement of qualification from DOER. Model SMART Provision, § 2.27; 225 CMR 20.02 (Definitions).

⁷ The Distribution Companies provided the most current version of their proposed SMART Provision (“Proposed SMART Provision”) in response to an information request from DOER. We refer to this Proposed SMART Provision (Exhibit DOER 1-1, Attachment) in this Order.

⁸ For purposes of the SMART Provision, an RPS renewable generation attribute is defined in 225 CMR 14.02 (Exh. DOER 1-1, Att., § 2.31).

⁹ During the period of time in which the STGU receives incentive payments pursuant to Section 7.0 of the SMART Provision, the Company has the irrevocable rights and title to the RPS Class I renewable generation attributes and/or environmental attributes of all STGUs. Model SMART Provision, § 6.3.

¹⁰ For purposes of the Proposed SMART Provision, AOBC means the value of the net excess electricity generated and fed back to the Distribution Company by an AOBC unit on a monthly basis (Exh. DOER 1-1, Att., § 2.1). An AOBC unit means a

- (3) the recovery by the Distribution Company of incentive payments, AOBCs, and incremental administrative costs incurred by the Distribution Company associated with the implementation and operation of the SMART Program.

(Exh. DOER 1-1, Att., § 1.0).

Incentive payments and AOBCs are paid by the Distribution Company to the owner or authorized agent of a STGU that has received a statement of qualification from DOER, has met all eligibility requirements from 225 CMR 20.00, has a total installed capacity equal to or less than five MW alternating current (“AC”), and is interconnected to the Distribution Company’s electric distribution system (Exh. DOER 1-1, Att., § 3.0). The Distribution Company recovers incentive payments, AOBCs, and incremental administrative costs through the SMART Factor charged to ratepayers (Exh. DOER 1-1, Att., § 14.0). These costs are offset by wholesale market revenue (e.g., energy and capacity), class I renewable energy and certificate proceeds, and clean peak energy certificate proceeds (Market Revenue) (Exh. DPU 2-1, Att., worksheet “1. Climate Act SMART Costs,” rows 4-6) (Exh. DOER 1-1, Att., §§ 2.24 (Definition Market Revenue), 14.0). The SMART Factor is an annual reconciling charge applied to all bills issued by the Distribution Company (Exh. DOER 1-1, Att., § 12.0).

STGU that is eligible for AOBCs and is not compensated for energy generation pursuant to 220 CMR 8.00 or 220 CMR 18.00 (Exh. DOER 1-1, Att., § 2.2).

II. PROCEDURAL HISTORY

A. Initial Process

On January 20, 2021, the Attorney General of the Commonwealth of Massachusetts (“Attorney General”) filed a notice of intervention pursuant to G.L. c. 12, § 11E(a). Further, the Attorney General, pursuant to G.L. c. 12, § 11E(b), determined that it is necessary and appropriate to retain one or more experts or consultants to assist her in this proceeding. Thus, the Attorney General also filed with the Department a notice of retention of experts and consultants in this matter (“Attorney General’s Notice”). The Department approved the Attorney General’s Notice. Order on Attorney General’s Notice of Retention of Experts or Consultants, D.P.U. 20-145, at 6 (March 17, 2021).

On January 22, 2021, the Department issued a Notice of Filing and Public Hearing (“Notice”), in which the Department stated its preliminary determination that it is appropriate and most efficient to proceed with a phased approach to a review of the Filing (Notice at 3). For purposes of the Notice, the Department classified as Phase I the proposed revisions to the SMART Provision intended to align with the revisions made to the SMART Regulations and defined as Phase II additional issues identified in the Filing (Notice at 2). The Department sought public comments on the matters identified for Phase I, including whether any such revisions are more properly considered in Phase II (Notice at 3).

On February 11, 2021, the Distribution Companies made a supplemental filing responding to six specific inquiries made by the Department in a January 22, 2021 letter

(“Supplemental Filing”).¹¹ On February 17, 2021, the Department conducted a virtual public hearing, in lieu of an in-person hearing.¹² The following stakeholders filed written comments: Attorney General; Nexamp. Inc. (“Nexamp”); BlueWave Community Solar, LLC (“BlueWave”); Zero-Point Development, Inc. (“Zero-Point”); WinnCompanies LLC

¹¹ The Filing did not include a description of all of the changes to the SMART Program incorporated in the SMART Regulations and the SMART Guidelines, including new program categories, changes to adders and subtractors, and changes in eligibility for incentives (Response to Supplemental Filing Request 1). The Department requested additional information about the updates to the SMART Program in order to properly conduct our review of the proposed SMART Provision and to determine whether the rates used to fund the SMART Program Expansion are just and reasonable. More specifically, the information requested by the Department and provided by the Distribution Companies in the Supplemental Filing included: (1) a summary of all changes to the SMART Program, including those that were determined by the Distribution Companies to not require corresponding changes to the SMART Provision; (2) a further revised model SMART Provision (redlined and clean versions) illustrating only those changes proposed to be reviewed in Phase I (Exhibit EDC-3); (3) an estimated total net cost to customers of the initial 1,600 MW installed under the SMART Program and the 1,600 MW expansion of the program (Exhibit EDC-4); (4) an estimated total net cost to customers attributable to extending alternative on-bill credits eligibility to behind-the-meter solar tariff generation units (Exhibit EDC-4); (5) an estimated total net cost and average dollars-per-megawatt-hour net costs to customers associated with the initial 1,600 MW that will be constructed under the SMART Program and the SREC I and SREC II Programs) (Exhibit EDC-4); and (6) the date by which the Distribution Companies expect to recover all the costs incurred to administer the SMART Provision and seek Department approval to terminate the SMART Provision.

¹² On March 10, 2020, Governor Baker issued an Executive Order declaring a state of emergency regarding COVID-19, a contagious and, at times, fatal respiratory disease. Executive Order No. 591: Declaration of a State of Emergency to Respond to COVID-19, dated March 10, 2020 and available at: <https://www.mass.gov/doc/governors-declaration-of-emergency-march-10-2020-aka-executive-order-591/download>.

(“WinnCompanies”); and Colonial Power.¹³ Also on February 17, 2021, the Department granted intervenor status to the following: DOER, Solar Energy Industries Association, Inc. (“SEIA”), and the Low-Income Weatherization and Fuel Assistance Program. The Department granted limited participant status to Colonial Power Group, Inc (“Colonial Power”).¹⁴

On February 25, 2021, the Department issued discovery to the Distribution Companies regarding whether certain issues could be deferred to Phase II of the proceeding. The Distribution Companies filed responses to the Department’s information requests on March 11, 2021 (Exhs. DPU 1-1 through DPU 1-4).

On March 24, 2021, the Department issued a request for comments on the scope of the phased proceeding given additional information submitted by the parties (Hearing Officer Memorandum (March 24, 2021)). The Attorney General, DOER, SEIA, and Zara Dowling, Chair of the New Salem Energy Committee, each filed comments on April 2, 2021.

B. Scoping Order

On May 21, 2021, the Department issued an Interlocutory Order on Scope of Proceeding. Revised Model SMART Provision, D.P.U. 20-145-A (May 21, 2021) (“Scoping Order”). In the Scoping Order, the Department formally established and refined the two-phased approach for the proceeding. D.P.U. 20-145-A at 3-6. The Department

¹³ Prior submissions include a December 15, 2020 DOER letter, and a letter submitted by SEIA on January 13, 2021.

¹⁴ Colonial Power was later granted intervenor status (see footnote 14).

established a procedural schedule, which was later updated by Hearing Officer Memorandum based on requests from the parties.¹⁵ D.P.U. 20-145-A at 3-6; (Hearing Officer Memorandum (June 23, 2021); Hearing Officer Memorandum (July 7, 2021)). The Department determined that Phase I of this proceeding will include the review of all of the items proposed by the Distribution Companies in their Filing, with the exception of (1) the proposed definition of “Community Shared STGU,” (2) the proposed definition of “Low Income Community Shared STGU,” (3) the proposed definition of “Low Income Property STGU,” and (4) the revision to the Appendix A righthand column title on page 27 of Exhibit EDC-3. D.P.U. 20--145-A at 13-14. The Department determined that the Phase I review also will include an examination of new adders, as well as the new alternative programs for community shared solar (“CSS”) and low-income community shared solar (“LICSS”) programs. D.P.U. 20-14-A at 14 n.12.

The Scoping Order also listed numerous topics to be addressed in Phase II, which includes any topics not specifically addressed in Phase I. D.P.U. 20-145-A at 15-18. We detail the specific revisions to the SMART Provision being considered in Phase I in a description of the Distribution Companies’ proposal in Section III below.

C. Phase I Procedural History

Given the expanded scope of inquiry set forth in the Scoping Order, the Department noted that certain stakeholders who had not intervened or otherwise participated in this matter

¹⁵ See Section II.C, below.

until that point may be interested in formally participating. D.P.U. 20-145-A at 18. On May 21, 2021, the Hearing Officer issued a Memorandum providing for an additional opportunity for stakeholders to request intervenor status. Several parties filed petitions to intervene, which the Hearing Officer granted on June 14, 2021.¹⁶ Additionally, on July 8, 2021, Ampion, Inc., filed a late petition to intervene as a limited participant. The Hearing Officer granted this petition on July 19, 2021. Following the grant of the petitions to intervene, several parties filed comments regarding the procedural schedule.¹⁷ The Attorney General requested clarification on the timing of when the Department intended to address the topic of municipal aggregation (Attorney General Comments at 1 (June 28, 2021), citing D.P.U. 20-145-A at 14-15, n.12; Hearing Officer Memorandum at 2, n.1 (July 7, 2021)). On July 7, 2021, the Department issued a revised procedural schedule based on the additional comments from intervenors (Hearing Officer Memorandum at 2 (July 7, 2021)).

¹⁶ The Hearing Officer granted intervention to: (1) the City of Boston; (2) the City of Chelsea; (3) the City of Newton; (4) Colonial Power; (5) Cape Light Compact JPE; (6) PrairieGold Energy, LLC; and (7) NRG Home f/k/a Reliant Energy Northeast LLC, Direct Energy Services, LLC, Direct Energy Business, LLC, Green Mountain Energy Company, Energy Plus Holdings LLC, and XOOM Energy Massachusetts, LLC (together, “NRG Retail Companies”). Additionally, the Hearing Officer granted limited participant status to Zero-Point. Hearing Officer Ruling (June 14, 2021).

¹⁷ The following submitted comments regarding the schedule: SEIA (June 11, 2021); Cape Light Compact JPE (June 18, 2021); Colonial Power Group (June 18, 2021) NRG Retail Companies (June 28, 2021); and PrairieGold Energy, LLC (June 28, 2021).

On July 9, 2021, the Department issued a first set of discovery to several of the intervenors regarding the CSS and LICSS programs.¹⁸ On July 9, 2021, DOER issued one information request to the Distribution Companies (DOER 1-1). National Grid¹⁹ and DOER²⁰ issued discovery to certain intervenors regarding the CSS and LICSS programs on July 14, 2021, and July 16, 2021, respectively. In total, 67 information requests were issued and answered during Phase I of the proceeding.²¹

On July 30, 2021, the Department issued a memorandum stating that, given the responses to discovery issued by the Department and parties, additional investigation is necessary into the topic of municipal aggregation and new alternative programs for CSS and

¹⁸ On July 9, 2021, the Department issued its first set of Information Requests to the City of Boston (Exhs. DPU-BOS 1-1 and DPU-BOS 1-2); the City of Chelsea (Exhs. DPU-CHL 1-1 and DPU-CHL 1-2); the City of Newton (Exhs. DPU-NWT 1-1 and DPU-NWT 1-2); Cape Light Compact JPE (Exhs. DPU-CLC 1-1 and DPU-CLC 1-2); Colonial Power Group (Exhs. DPU-CPG 1-1 and DPU-CPG 1-2); PrairieGold Energy, LLC (Exhs. DPU-PGE 1-1 and DPU-PGE 1-2); and Zero Point. (Exhs. DPU-ZPD 1-1 and DPU-ZPD 1-2).

¹⁹ Exhs. NG-1-1-Boston through NG-1-10-Boston; Exhs. NG-1-1-Compact through NG-1-10-Compact; Exhs. NG-1-1-Chelsea through NG-1-10-Chelsea; and Exhs. NG-1-1-Newton through NG-1-10-Newton

²⁰ Exh. DOER 1-1; Exh. DOER-Newton 1-1; Exh. DOER-Colonial 1-1; Exh. DOER-Chelsea 1-1; and Exh. DOER-Compact 1-1.

²¹ On its own Motion, the Department admits into the record as exhibits the Filing, Supplemental Filing, and the responses to information requests identified herein. The Department finds that the record, the comments, and the briefs provide an adequate basis to address the issues under investigation in Phase I of this proceeding without the need for an evidentiary hearing.

LICSS, which the Department will address in Phase II (Hearing Officer Memorandum at 2 (July 30, 2021)).

The Distribution Companies, Attorney General, DOER, SEIA, and Colonial Power filed Phase I briefs. Arcadia and ProjectEconomics, Inc. d/b/a PowerMarket (together “PowerMarket”) filed joint comments.²² The Distribution Companies, Attorney General, DOER, Colonial Power, SEIA, Zero-Point and Cape Light Compact JPE filed reply briefs or letters in lieu of reply brief.

III. DISTRIBUTION COMPANIES’ PROPOSAL

Below are those proposed revisions to the SMART Provision that the Department determines are necessary to align it with the full implementation of the DOER’s revised SMART Regulations and, therefore, are addressed in this Order:

- Revisions to the following definitions in Section 2.0:
 - AOBC Generation Unit
 - Behind-the-Meter (“BTM”) Solar Tariff Generation Unit (“STGU”)
 - Low Income Customer;
 - Low Income Eligible Area; and
 - Standalone STGU.

²² Colonial Power filed a Motion to Strike the PowerMarket comments (August 16, 2021). As those comments address Phase II issues, we do not address them or the motion here.

- Revisions to Section 7.0 to add/modify two subsections related to an incentive payment formula change for Standalone STGUs, as required by 225 CMR 20.08(2)(b), and to revise the Value of Energy (“VOE”) calculation for non-net metered BTM STGUs, as required by 225 CMR 20.08(2)(b);
- Revisions to Section 10.0 to (1) for AOBC Generation Units, add that the AOBC will equal the Basic Service rate for the AOBC Generation Unit’s rate class during the billing period, (2) remove the term “Standalone” from the term STGU, and (3) clarify that AOBCs will be applied to the single host billing account; and
- Revisions to Appendix A to (1) account for the expanded 1,600 MW of STGU capacity provided by 225 CMR 20.05(1), and (2) provide consistency with DOER’s updated Capacity Block allocations, Base Compensation Rates, and Compensation Rate Adders.²³

(Exhs. EDC-1, § III; EDC-3, at 1-28; DOER-1-1, Att.). D.P.U. 20-145-A at 5-6, 13-14.

These revisions are set forth in the revised SMART Provision that the Distribution Companies submitted on July 23, 2021, in response to DOER’s information request to revise the proposed SMART Provision to be consistent with the Department’s Scoping Order. This

²³ Compensation Rate Adder is defined as “an adder to a Solar Tariff Generation Unit’s Base Compensation Rate established pursuant to 225 CMR 20.07(4).” 225 CMR 20.02 (Definitions).

version is set forth in Exhibit DOER 1-1, Attachment, and as noted we refer to this Proposed SMART Provision in this Order.

IV. DEPARTMENT'S AUTHORITY

The Department has broad authority to determine ratemaking matters in the public interest. Fitchburg Gas and Electric Light Company v. Department of Public Utilities, 460 Mass. 800, 811 (2011); Massachusetts Institute of Technology v. Department of Public Utilities, 425 Mass. 867, 868 (1997). The Department exercises this authority in reviewing the proposed revisions to the SMART Provision.²⁴ The Department reviews the proposed revisions for consistency with the SMART Regulations and where appropriate the Solar Act. Where appropriate, the Department will review proposed programmatic revisions under the standard of reasonableness. Maryland Gas Company v. NSTAR Gas Company, 471 Mass. 416, 422 (2015) (tariffs must satisfy the basic requirement of reasonableness). Where a proposed revision to the SMART Provision likely would have a cost consequence affecting rates to ratepayers, the Department will apply the standard of just and reasonable. The Department is charged with ensuring that rates charged to customers are just and reasonable. Bay State Gas Company, 459 Mass. 807, 814 (2011); Attorney General v. Department of Telecommunications and Energy, 438 Mass. 256, 264 n.13 (2002); New

²⁴ The SMART Regulations recognize the Department's authority to review and approve the SMART Provision, including revisions. 225 CMR 20.02 (Definition SMART Tariff).

England Gas Company, D.P.U. 10-114, at 22 (2011); Boston Gas Company, D.P.U. 93-60, at 212 (1993).

In examining the possible rate consequences for ratepayers, the Department takes into account the legislative directive under the Solar Act that the revised SMART Program lower the cost of the Commonwealth's solar incentive programs²⁵ for ratepayers. St. 2016, c. 75, § 11(a). In this regard, the Department determines that is appropriate to review whether the revised SMART Program costs overall would be lower than the costs of the prior solar incentive programs. D.P.U. 17-140-A at 14. In exercising our authority, the Department is not bound by the content of a tariff or a filing. The Department will examine the effects on rates charged to ratepayers of a program or transaction even where those rate effects are not expressly stated in a filing. Thus, the Department reviews revisions to the SMART Program that are not expressly provided in the proposed SMART Provision but likely would result in cost impacts affecting rates charged to ratepayers.

V. PROPOSED REVISIONS TO THE SMART PROVISION AND REVISIONS TO SMART PROGRAM

A. Introduction

In this section, the Department reviews the programmatic revisions included in the Proposed SMART Provision. Further, we review revisions with likely rate consequences in the following two categories: (1) proposed revisions expressly stated in the Proposed

²⁵ Other solar incentive programs are (1) the currently constructed SMART Program, (2) SREC I, and (3) SREC II.

SMART Provision that potentially would affect rates charged to ratepayers through the SMART Factor, and (2) revisions to the SMART Program that are not expressly stated in the Proposed SMART Provision but, with application of the provisions through the Proposed SMART Provision, potentially would affect rates charged to ratepayers.

The proposed programmatic revisions to the SMART Provision are to Section 2.0 (Definitions), Section 7.0 (Calculation of Incentive Payments), Section 10.0 (Alternative On-Bill Credits), and Appendix A (I. Base Compensation Rates) are addressed in Section V.B. In Section V.C, the Department addresses the proposed revisions to the SMART Program that likely will impact the rates charged to ratepayers through the SMART Factor. Specifically, the Department reviews the expansion of the AOBC mechanism to include BTM STGUs (Exhs. EDC-1, at 12, 14; DOER 1-1, Att., §§ 2.2 (Definitions), 7.0 (Calculation of Incentive Payments), 10.0 (Alternative On-Bill Credits), and Appendix A (Compensation Rates)). The Department also reviews the revisions to the SMART Program that are not expressly stated in the Proposed SMART Provision but likely will affect rates paid by ratepayers involve the following: declining base compensation rate and compensation rate adder, public entity STGU compensation rate adder, pollinator adder, land use criteria and greenfield subtractors, and energy storage system (“ESS”) requirements.

B. Programmatic Revisions

1. Positions of the Parties

a. Intervenors

Nearly all comments and briefs generally support the Phase I tariff revisions included in the Proposed SMART Provision (Attorney General Brief at 3-4; DOER Brief at 4-5; Distribution Companies Brief at 7-12; SEIA Brief at 6-8; Zero-Point Letter in Lieu of Brief; BlueWave Solar Comments (February 17, 2021); Nexamp Comments (February 17, 2021)).

SEIA contends that the Department should approve the Phase I changes to the SMART Provision as: (1) the changes are necessary to bring the tariff in line with the revised SMART Regulations and to allow the program to serve its statutory purpose and function; (2) all parties that have addressed the issue have endorsed the approval of the revisions; (3) promoting distributed generation and reducing greenhouse gas emissions is a Department statutory mandate; (4) the SMART Program is one of the primary policy vehicles the Commonwealth uses to promote development of on-site and distributed generation, and is a key part of the Commonwealth's plan to achieve its greenhouse gas emission reduction goals; and (5) Phase I issues are teed up for immediate approval as the Department has moved all of the controversial and complex issues of the proposed SMART Provision into Phase II (SEIA Brief at 6-10; SEIA Reply Brief at 1-2).²⁶

²⁶ SEIA maintains that the only change that the Distribution Companies made in the SMART Provision that should not be approved in Phase I and should be moved to Phase II is the reorganization of text from Section 6.3.3(4) to Section 18.2 (SEIA Brief at 7 n.5).

The Attorney General does not object to the Distribution Companies' clarifying revisions to the VOE description in Section 7.1, specifically referring to VOE credits as "calculated," rather than "equal to," even though the Department did not include these revisions as part of Phase I in its Scoping Order (Attorney General Brief at 4, citing Exh. DOER 1-1, Att., § 7.1 (Calculation of Incentive Payments – Standalone STGUs)).

b. Distribution Companies

The Distribution Companies contend that the Department should approve their Phase I proposed revisions to the SMART Provision, as the revisions are (1) consistent with and necessary to bring the tariff into compliance with DOER's SMART Regulations, and (2) are consistent with the Department's Scoping Order (Distribution Companies Brief at 7, citing Exh. DOER 1-1, Att.; Exh. EDC-1, at 8-9). The Distribution Companies assert that the Proposed SMART Provision includes: (1) increasing the size of the SMART Program to support a total of 3,200 MW; (2) adding more capacity blocks for the expanded 1,600 MW of capacity; (3) establishing new capacity set-asides for certain generation units; (4) designating new combined capacity blocks for Eversource's NSTAR Electric Company and Western Massachusetts Electric Company service territory blocks; (5) extending the eligibility for AOBC Generation Units to BTM STGUs; and (6) including language to the SMART Provision that enables a Distribution Company to offer a low-income community shared solar program (Distribution Companies Brief at 1-2). In addition, the Distribution Companies maintain that they proposed revisions to the SMART Provision to add clarity

based on their experience implementing the SMART Program (Distribution Companies Brief at 2).

2. Analysis and Findings

a. Section 2.0

i. Introduction

In Section 2.0 (Definitions) of the Proposed SMART Provision, the Distribution Companies have proposed revisions to two existing definitions: (1) AOBC Generation Unit; and (2) Standalone STGU (Exh. DOER 1-1, Att., §§ 2.1, 2.34). They also have proposed a new definition for Behind-the-Meter STGU (Exh. DOER 1-1, Att., § 2.6). The Proposed SMART Provision also incorporates the revised SMART Regulations definitions for Low Income Customer and Low Income Eligible Area (Exh. DOER 1-1, Att., §§ 2.22, 2.23).

ii. AOBC Generation Unit, Standalone STGU, and Behind-the-Meter STGU

The proposed definition of AOBC Generation Unit is the same definition set forth in the currently effective SMART Provision except for the deletion of the word “Standalone” qualifying the term STGU. Regarding the revisions to the AOBC Generation Unit and the Standalone STGU definition, and the creation of the Behind-the-Meter STGU definition, the Department finds that these definitions are consistent with the same definitions found in the SMART Regulations and are necessary to facilitate the expansion of the AOBC mechanism to BTM STGUs. 225 CMR 20.02 (Definitions). Additionally, the definitions of Standalone STGU and BTM STGU are generally consistent with those used in the Commonwealth’s net

metering programs, ensuring consistency between the AOBC mechanism and net metering.²⁷

Accordingly, the Department approves these definitions as filed.

iii. Low Income Customer and Low Income Eligible Area

The Distribution Companies have proposed the addition of definitions of “Low Income Customer” and “Low Income Eligible Area” to the SMART Provision, which they assert are necessary to be consistent with the revised SMART Regulations (Distribution Companies Brief at 7). These definitions manifest in the Proposed SMART Provision in eligibility to participate in the SMART Program²⁸ and in compensation rates that are part of

²⁷ The SMART Regulations define BTM STGU as “a Solar Tariff Generation Unit that serves On-site Load other than parasitic or station load utilized to operate the Generation Unit...” 225 CMR 20.02 (Definitions). The proposed SMART Provision likewise defines BTM STGU as “a Solar Tariff Generation Unit that serves On-Site Load other than parasitic or station load utilized to operate the generation unit” (Exh. DOER 1-1, Att. at 1-2). In D.P.U. 17-146-B, the Department defined a BTM facility as “a facility that serves an on-site load other than parasitic load or station load utilized to operate the facility.” D.P.U. 17-146-B at 13 n.25. Lastly, similar terminology now exempts certain BTM facilities from the Commonwealth’s net metering caps, provided they are “generating renewable energy and serve[] on-site load, other than parasitic or station load...” An Act Creating a Next-Generation Roadmap for Massachusetts Climate Policy, St. 2021, c. 8, § 85 (signed into law March 26, 2021, and effective June 26, 2021).

²⁸ In determining eligibility to participate in the SMART Program, the Distribution Companies rely on the Statement of Qualification issued by DOER to STGUs (Exh. DOER 1-1, § 3.0 (Availability)). See also, 225 CMR 20.06(1)(f) (Special Provisions for Low Income Community Shared Solar Tariff Generation Units) and (g) (Special Provisions for Low Income Property Generation Units); DOER’s “Guideline Regarding Alternative Programs for Community Shared Solar Tariff Generation Units and Low Income Community Shared Solar Tariff generation Units,” available at <https://www.mass.gov/doc/guideline-regarding-alternative-programs-for-community-shared-solar-tariff-generation-units-and/download> (May 18, 2020).

incentive payments.²⁹ The definition of “Low Income Customer” proposed to be included in the Proposed SMART Provision is substantially identical to the definition set forth in the SMART Regulations. 225 CMR 20.02 (Definitions); Exh. DOER 1-1, Att., § 2.22.³⁰ The definition of “Low Income Eligible Area” included in the Proposed SMART Provision is identical to the definition set forth in the SMART Regulations (Exh. DOER 1-1, Att., § 2.23). 225 CMR 20.02 (Definitions). Thus, the Department finds that these proposed definitions for the Proposed SMART Provision are consistent with the SMART Regulations.

However, the inclusion of these definitions in the SMART Regulations was not the direct product of the Solar Act, which provides the basis for the SMART Regulations. Therefore, the Department finds it appropriate to apply the reasonableness standard to the inclusion of these definitions in the Proposed SMART Provision.

DOER explained that removing barriers to low-income customer participation was a key focus of its regulatory review that produced its revised SMART Regulations (DOER

²⁹ Compensation rates are identified in Appendix A to the proposed SMART Provision; these compensation rates are set forth in the SMART Regulations. See, e.g., 225 CMR 20.07(3)(c), (4)(b).

³⁰ In the SMART Regulations definition of “Low Income Customer,” the term “End-use” qualifies the term Customer. 225 CMR 20.02 (Definitions). In the SMART Regulations, the term “End-use Customer” means “a person or entity in Massachusetts that purchases electrical energy from a Distribution Company.” 225 CMR 20.02 (Definitions). The SMART Factor within the SMART Provision is applicable to all retail delivery service customers (Exh. DOER 1-1, Att., § 12.0). The Department finds that the differences in the definition of Low Income Customer in the SMART Regulations and as proposed in the Proposed SMART Provision are not significant.

Response to Department Memorandum, Request 2 (June 28, 2021)). Additionally, DOER clarifies that the definition of Low Income Eligible Area is consistent with the Environmental Justice Policy developed by the Executive Office of Energy and Environmental Affairs (“EEA EJ Policy”) (DOER Response to Department Memorandum, Request 2 (June 28, 2021)). DOER states that EEA requires its agencies and divisions (i) to consider environmental justice³¹ as integral in the implementation of EEA programs that support renewable energy generation and (ii) to target “...EEA resources to service these neighborhoods that are most at risk of being unaware of or unable to participate...” (DOER Response to Department Memorandum, Request 2 (June 28, 2021)).

³¹ Environmental justice is based on the principle that all people have a right to be protected from environmental hazards and to live in and enjoy a clean and healthful environment regardless of race, color, national origin, income, or English language proficiency. Environmental justice is the equal protection and meaningful involvement of all people and communities with respect to the development, implementation, and enforcement of energy, climate change, and environmental laws, regulations, and policies and the equitable distribution of energy and environmental benefits and burdens. EEA EJ Policy at 3, available at <https://www.mass.gov/service-details/environmental-justice-policy> (June 24, 2021).

The EEA EJ Policy was updated in June 2021 to incorporate the following definition of an “environmental justice population” as (A) a neighborhood that meets 1 or more of the following criteria: (i) the annual median household income is not more than 65 per cent of the statewide annual median household income; (ii) minorities comprise 40 per cent or more of the population; (iii) 25 per cent or more of households lack English language proficiency; or (iv) minorities comprise 25 per cent or more of the population and the annual median household income of the municipality in which the neighborhood is located does not exceed 150 per cent of the statewide annual median household income; or (B) a geographic portion of a neighborhood designated by the Secretary as an environmental justice population in accordance with the law.” EEA EJ Policy at 4, available at <https://www.mass.gov/service-details/environmental-justice-policy> (June 24, 2021).

In approving the model SMART Provision, the Department found that “there is a public policy benefit to prioritizing direct incentives for low-income customers consistent with state law and policy.” D.P.U. 17-140-A at 62, citing Executive Order No. 552, § 5(ii) and Environmental Justice Policy of the Executive Office of Energy and Environmental Affairs, at 5 (January 31, 2017) (“2017 EEA EJ Policy”). After the filing of the Proposed SMART Provision, in 2021, the Legislature passed “An Act Creating a Next-Generation Roadmap for Massachusetts Climate Policy,” St. 2021, c. 8 (“Climate Act”), which expressly requires that the SMART Program, to the greatest extent feasible, address solar energy access and affordability for low-income communities. St. 2021, c. 8, § 94. The inclusion of these definitions in the Proposed SMART Provision could result in increased access to the program and higher participation rates by low-income communities. Therefore, the Department finds that the inclusion of these definitions in the Proposed SMART Provision is reasonably necessary to support the Commonwealth’s policies set forth in the Climate Act concerning low-income communities. Accordingly, based on this finding and our finding above on consistency with the SMART Regulations, the Department approves revisions to the SMART Provision to include the following definitions: “Low Income Customer” and “Low Income Eligible Area.”

In reviewing these changes, the Department has considered potential cost impacts and determines that the revisions may increase program costs relative to the status quo since the goal of the changes is to increase low-income customer participation. Subject to the concerns discussed below, the Department finds that this programmatic change is reasonable and

consistent with the goal of promoting greater access for low-income customers. St. 2021, c. 8 § 94.

While we approve these definitions for the Proposed SMART Provision, the Department has a concern that the definitions may be overbroad, possibly resulting in an ineffective implementation of the public policy directing benefits for the low-income population, and with associated costs charged to ratepayers inconsistent with implementation of the Solar Act. DOER acknowledges that higher income customers that live in communities that meet the definition of Low Income Eligible Area may qualify for higher, Low Income Customer incentives based on a statistical median value of income (DOER Response to Department Memorandum, Request 2 (June 28, 2021)). Our concern is that these definitions may produce unnecessary benefits for customers outside of the low-income population and may provide windfalls to developers. To assess whether implementation of these definitions results in just and reasonable rates to ratepayers, the Department directs the Distribution Companies to confer with DOER to develop a report that identifies:

- (1) the number of customers that receive compensation under the SMART Provision as a Low Income Customer as defined under the SMART Provision;
and
- (2) of those customers, the number of customers that take service under the low-income discount rate, i.e., rate R-2.

This data shall be presented (a) by each Distribution Company and (b) in aggregate. Unless the Department otherwise directs, the Distribution Companies shall submit the report by

March 1 each year, presenting the informational data for the prior calendar year.³² This filing shall replace and discontinue the Department's directive in Model SMART Program Tariff, D.P.U. 17-140-A at 72, to submit data regarding the participation of low-income customers in the SMART Program.³³

b. Section 7.0

In Section 7.2 of the Proposed SMART Provision, the Distribution Companies propose revisions to the methodology used to calculate incentive rates for BTM STGUs (Exhs. EDC-1, at 17-22; DOER 1-1, Att., § 7.2). The Distribution Companies note that these changes to formulae are required by and are consistent with the changes DOER made in the SMART Regulations. After review, the Department finds that these changes are consistent with the changes to the SMART Regulations. 225 CMR 20.08(2). Further, although they may increase the level of compensation to BTM STGUs relative to the status quo, any cost impact to ratepayers that may result from this change is reasonable, particularly when considering that the expected overall costs of the expansion of the SMART Program

³² The Hearing Officer will issue procedural guidance regarding the filing of this report.

³³ In D.P.U. 17-140-A, the Department directed each Distribution Company to provide an informational filing within four months of the Order, and quarterly thereafter, identifying: (1) the number and capacity of LICSS STGUs in each capacity block in each service territory; (2) the number and capacity of Community Shared Solar STGUs in each capacity block in each service territory; (3) the number and capacity of low-income property STGUs in each capacity block in each service territory; and (4) the total number and capacity of STGUs in each service territory. D.P.U. 17-140-A at 72-73.

will be lower than the costs of earlier solar incentive programs.³⁴ Additionally, these measures are likely to promote the development of BTM STGUs that are sited in preferable locations (such as residential rooftop installations rather than those built on green or open space), which is consistent with Department precedent and the Commonwealth's policy objectives to preserve open space. See, e.g., Econox Renewables Inc., D.P.U. 17-30, at 15 (2018); Clean Energy Design, LLC, D.P.U. 16-147, at 15 (2018); Preservation for Affordable Housing, Inc., D.P.U. 16-55, at 16 (2017); SolarFlair Energy, Inc., D.P.U. 16-25, at 20 (2017); G.L. c. 44B (Community Preservation Act); G.L. c. 184, §§ 31-33 (conservation restrictions). Accordingly, the Department approves these proposed revisions to Section 7.0 of the SMART Provision.

In addition, the Department finds that the minor changes to the description of VOE in Section 7.1 of the Proposed SMART Provision applicable to Standalone STGUs, while not expressly required by the revised SMART Regulations, are appropriate. This proposed change refers to VOE "credit" and clarifies that the VOE credit is "calculated" rather than "equal to" (Exh. DOER 1-1, Att., § 7.1). We consider this change to be appropriately included with other Phase I revisions to the SMART Provision and further find it to be a reasonable clarification of the nature of the VOE in the context of the calculation of incentive payments (Exh. DOER 1-1, Att., § 7.1). Where this change in language will have no cost

³⁴ See Section V.D, including Table A, below.

impacts and no party objected to its inclusion, the Department approves this revision to Section 7.0 of the SMART Provision.

c. Section 10.0 Revisions

In Section 10.0 of the Proposed SMART Provision, the Distribution Companies have proposed minor revisions to the rules pertaining to AOBC STGUs (Exhs. EDC-1, at 22; DOER 1-1, Att., § 10.0). The Distribution Companies note that these changes are necessary to comply with the changes to the SMART Regulations and help further clarify rules applicable to AOBCs. 225 CMR 20.08(1). The Department agrees with the Distribution Companies and approves the proposed revisions to Section 10.0 of the SMART Provision. Where this change in language is likely to have no cost impacts and no party objected to its inclusion, the Department approves this revision to Section 10.0 of the SMART Provision.

d. Appendix A

In Appendix A of the Proposed SMART Provision, the Distribution Companies have proposed revisions to the Schedule of Base Compensation Rates and have made revisions to incorporate new Capacity Block Set Asides for facilities sized between 25 kilowatts (“kW”) and 500 kW and for facilities serving low-income residents (Exhs. EDC-1, at 24; DOER 1-1, Att., App. A, § I (Base Compensation Rates)). The Distribution Companies note, and the Department agrees, that these changes are necessary to comply with DOER’s changes to the SMART Regulations (Exh. EDC-1, at 24). 225 CMR 20.05(3) (Block Allocations), 225 CMR 20.07(3). In reviewing these changes, the Department has considered potential cost impacts and determines that they may increase program costs relative to the status quo as

(1) Base Compensation Rates for BTM STGUs now will decline at a slower rate, and (2) the Capacity Block Set Asides will result in a higher number of facilities to be constructed that will be eligible for higher Base Compensation Rates and Compensation Rate Adders. However, the Department finds that the potential cost increases to ratepayers that may result from these changes are reasonable when considering that the expected overall costs of the expansion of the SMART Program will be lower than the costs of earlier solar incentive programs.³⁵ Furthermore, similar to many other revisions to the SMART Regulations and proposed revisions to the SMART Provision, these measures are likely to promote the development of BTM STGUs that are sited in preferable locations (such as residential rooftop installations rather than those built on green or open space), which is consistent with Department precedent and the Commonwealth's policy objectives to preserve open space. See, e.g., D.P.U. 17-30, at 15; D.P.U. 16-147, at 15; D.P.U. 16-55, at 16; D.P.U. 16-25, at 20; G.L. c. 44B (Community Preservation Act); G.L. c. 184, §§ 31-33 (conservation restrictions). Lastly, the Department supports allocating a percentage of each Capacity Block to encourage greater participation of low-income customers as it aligns with the Department's findings that "there is a public policy benefit to prioritizing direct incentives for low-income customers consistent with state law and policy." D.P.U. 17-140-A at 62. For the reasons set forth above, the Department approves the proposed revisions to Appendix A of the SMART Provision.

³⁵ See Section V.D, including Table A, below.

C. Revisions to the SMART Provision and SMART Program with Likely Rate Impacts

1. Positions of the Parties

a. Intervenors

DOER and SEIA contend that the SMART Program will continue to provide significant benefits to ratepayers at lower costs than the Commonwealth's predecessor solar incentive programs, SREC I and SREC II, as well as the "SMART I"³⁶ Program (DOER Brief at 5-7; SEIA Brief at 10-11). In order to balance all of the requirements and to achieve the directives of the Solar Act, DOER argues that it determined during its rulemaking and public comment process that produced the revised SMART Regulations that it was necessary to expand the SMART Program to promote an orderly transition to a stable and self-sustaining solar market at a reasonable cost to ratepayers (DOER Brief at 5).

DOER and SEIA maintain that the existing built-in cost reductions of the SMART Program, through the declining block rate structure,³⁷ will continue to reduce the cost of the

³⁶ SMART I refers to the initial 1,600 MW under the program design currently in effect.

³⁷ For the SMART Program Expansion, DOER established a schedule whereby all Base Compensation Rates following the first Capacity Block will decline by four percent per Capacity Block, with Base Compensation Rates in each Capacity Block being established at exactly four percent less than the Base Compensation Rate in the previous Capacity Block. 225 CMR 20.07(2) (Schedule of Base Compensation Rates and Compensation Rate Adders); see also DOER's Guideline on Capacity Block Compensation Rates and Compensation Rate Adders, on Capacity Block Base Compensation rate and Compensation Rate Adders (June 8, 2020) (available at <https://www.mass.gov/doc/capacity-block-base-compensation-rate-and-compensation-rate-adder-guideline-2>).

program over its life, relying on the Distribution Companies' estimate that the total net costs³⁸ of \$5,161,090,921 for the initial 1,600 MW under the current SMART Provision will decline to \$3,816,570,893 for the SMART Program Expansion (DOER Brief at 7, citing Exh. EDC-4 Final, worksheet "3. SMART Net Costs"; SEIA Brief at 10-11).³⁹ SEIA opines that, as solar costs continue to come down, distributed solar generation will continue to deliver benefits to electric customers in the Commonwealth by reducing customers' bills while also serving a critical role in meeting the Commonwealth's climate goals (SEIA Brief at 11).

b. Distribution Companies

The Distribution Companies contend that the SMART Program Expansion under the revised SMART Regulations lowers the cost of the Commonwealth's solar incentive programs for ratepayers, satisfying the requirement of Section 11 of the Solar Act (Distribution Companies Brief at 12-13). The Distribution Companies argue that their projected cost estimates show that the SMART Program Expansion net costs total \$3,816,570,893 as compared to net cost estimates of \$5,161,090,921 for the initial

³⁸ Net costs refers the total of (a) SMART incentives, plus (b) incremental capital and administrative costs, and minus (c) any market revenues from the ISO New England Inc. ("ISO-NE") energy and forward capacity markets as well as renewable energy credits.

³⁹ The Distribution Companies further reduced the cost estimates of the initial 1,600 MW of the SMART Program to \$4,999,056,103 and the SMART Program Expansion to \$3,636,195,383 in response to a request for an update of cost estimates in response to the Climate Act (Exhs. DPU 2-1; DPU 2-1, Att.).

1,600 MW under the SMART Program (Distribution Companies Brief at 12-13, citing Exh. EDC-4⁴⁰).⁴¹ The Distribution Companies note that they updated the projected cost estimates in response to passage of the Climate Act, which further reduced the cost estimates of the initial 1,600 MW of the SMART Program to \$4,999,056,103 and the SMART Program Expansion to \$3,636,195,383 (Distribution Companies Brief at 13, citing Exhs. DPU 2-1; DPU 2-1, Att.).

2. Analysis and Findings

a. Introduction

In their Supplemental Filing, the Distribution Companies identified a number of changes to the SMART Program that were not included in the Filing, as the Distribution Companies determined such changes did not require specific modification of the SMART Provision. D.P.U. 20-145-A at 3 n.3, citing Response to Supplemental Filing Request 1 (February 11, 2021).

Where the Department's statutory role is to determine just and reasonable rates taking into account overall cost impacts to ratepayers, the scope of our review encompasses all aspects of the program or the proposal that are likely to impact those ratepayer costs, regardless of whether the cost impacts are expressly stated in an accompanying document

⁴⁰ Exh. EDC-4 FINAL (2-16-2021) at worksheet "3. SMART Net Cost," cells I17, J17.

⁴¹ The Distribution Companies also provided estimates of net costs of \$2,563,293,707 for SREC I and \$4,090,899,666 for SREC II (Exh. EDC-4, at worksheets "SREC I," cell C20 and "SREC II," cell C20).

such as a proposed tariff. In order for the Department to conduct a timely and complete investigation and ensure that all stakeholders have the requisite information to understand and evaluate a proposal, petitioners must make a full and complete filing where all relevant and material facts and issues are properly included. We observe that when a petitioner seeks to revise a previously approved program, inclusion of all relevant changes and impacts to the program in an initial filing obviates the need for rounds of antecedent inquiry into the universe of proposed changes. In this proceeding, without the information in the Filing regarding the totality of changes to the SMART Program likely to impact costs to ratepayers, the Department was required to complete numerous additional procedural steps, from the threshold inquiry leading to the submission of the Supplemental Filing to the additional opportunities for intervention and public comment necessary once the actual scope of the changes under Department review was identified.

b. Revisions Likely to Result in Cost Impacts

i. Introduction

The Department has reviewed the Proposed SMART Provision and changes to the SMART Program that were not included in the Proposed SMART Provision. The Department expects that many of the SMART Program changes likely will have an impact on both compensation rates received by STGUs and on the recovery of costs passed on to customers via the SMART Factor. The Department summarizes its findings on these programmatic changes below.

ii. AOBC Expansion to BTM STGUs

In the Proposed SMART Provision, the Distribution Companies have included an expansion of the AOBC mechanism to include BTM STGUs, which would permit these facilities to generate AOBCs (Exhs. EDC-1, at 12, 14; DOER 1-1, Att., §§ 2.2 (Definitions), 7.0 (Calculation of Incentive Payments), and 10.0 (Alternative On-Bill Credits),⁴² and Appendix A (compensation rates). As discussed above, these definitional and implementation changes are consistent with the SMART Regulations. 225 CMR 20.02 (Definition Alternative On-Bill Credit Generation Unit).

In the original design of the SMART Program, the AOBC mechanism was reserved exclusively for Standalone STGUs. D.P.U. 17-140-A at 5 n.8. The revised SMART Regulations, however, include a modification to the definition of “Alternative On-Bill Credit Generation Unit,” which now permits the Distribution Companies to propose that AOBCs be made available to BTM STGUs.⁴³ 225 CMR 20.02 (Definitions). In the Proposed SMART Provision, the AOBC mechanism now would permit BTM STGUs to generate AOBCs (Exhs.

⁴² The Proposed SMART Provision does not include an express charge for the change in Compensation Rate Adders that are part of the incentive payments; however, Appendix A to the SMART Provision incorporates the currently effective Compensation Rate Adders by referring to 225 CMR 20.07(4) and to DOER’s Guideline on Energy Storage, with a link. See Section VI below for the Department’s directive regarding setting forth the Compensation Rate Adders in the SMART Provision.

⁴³ Specifically, DOER deleted the word “standalone,” which removes the previous restriction that only Standalone STGUs qualified as an Alternative On-Bill Credit Generation Unit.

EDC-1, at 12, 14; DOER 1-1, Att., § 2.2). This programmatic change is expected to result in a net increase in costs of \$29,864,069 relative to the status quo (Exh. DPU-2-1, Att., worksheet “2. Climate Act AOBC Costs,” cell C20).⁴⁴ The Department finds that this expansion is warranted because it is designed to ensure that compensation for BTM and Standalone STGUs is more equitable and likely will facilitate the development of more facilities sited behind existing loads. The costs of the SMART Program are borne by all electric customers, whether or not they receive AOBC credits or a SMART incentive payment, and, as such, each AOBC credit provided through the SMART Program represents a direct cost to ratepayers that do not receive AOBC Credits or SMART incentive payments (“non-participants”). Thus, expansion of the AOBC mechanism results in costs shifted to non-participants. Nevertheless, the Department has found there is limited risk that a proposed solar facility is intended to serve primarily as a source of monetary income at the cost of other ratepayers when the output of the proposed net metering facility is intended as an offset to on-site electricity usage. Ameresco, Inc., D.P.U. 20-118, at 9-10 (February 19, 2021), citing D.P.U. 17-30, at 14; D.P.U. 16-147, at 14; Powerhead, LLC, D.P.U. 16-157, at 15-16 (2017); D.P.U. 16-55, at 16; D.P.U. 16-25, at 19; Timothy Kane, D.P.U. 16-70,

⁴⁴ The Distribution Companies initially estimated the costs of expanding the AOBC mechanism to BTM STGUs to be \$167,862,772 (Exh. EDC-4 FINAL (02-16-2021), worksheet “4. BTM AOBC Net Costs,” cell C20). The Distribution Companies subsequently filed an update to reflect a revised estimate of \$29,864,069 in light of changes to the net metering statute that exempt certain BTM facilities from the Commonwealth’s net metering caps (Exh. DPU 2-1, Att. worksheet “1. Climate Act AOBC Costs,” cell C20). St. 2021, c. 8, § 85.

at 8 (2016); Jonathan Bracken, D.P.U. 16-36 (2016), at 9; BCC Solar Energy Advantage, Inc., D.P.U. 14-149, at 16 (2015).⁴⁵ Finally, the Department finds that the estimated cost impact to ratepayers of this change to be reasonable, particularly when viewed in the context of the overall costs of the SMART Program Expansion.⁴⁶ Accordingly, the Department approves of the revisions to the SMART Provision stated above and finds that the Distribution Companies may seek recovery of costs associated with the expansion of the AOBC mechanism to BTM STGUs through their respective SMART Factors.

iii. Base Compensation Rate and Compensation Rate Adder Decline Rates

The revised SMART Regulations have altered the pace at which Base Compensation Rates⁴⁷ will decline as Capacity Blocks⁴⁸ are filled. Prior to the revisions to the SMART Program, all Base Compensation Rates declined at a rate of four percent per Capacity Block.

⁴⁵ Furthermore, in the Department's experience, BTM facilities often consist of small, residential rooftop facilities that the Commonwealth has historically encouraged. G.L. c. 164, §§ 138-140 (e.g., in creating the net metering program, the Legislature limited the administrative burden for and incentivized the development of small, residential solar facilities).

⁴⁶ See Section V.D, including Table A, below.

⁴⁷ Base Compensation Rate is defined in the SMART Regulations as “[t]he portion of a Solar Tariff Generation Unit's compensation rate related to the Generation Unit's rated alternating current capacity, prescribed in 225 CMR 20.07(3).” 225 CMR 20.02 (Definitions).

⁴⁸ Capacity Block is defined in the SMART Regulations as “a quantity of Solar Tariff Generation Unit capacity that is entitled to receive a particular set of Base Compensation Rates and Compensation Rate Adders within a Distribution Company's service territory.” 225 CMR 20.02 (Definitions).

225 CMR 20.07(2). Under the revised SMART Regulations, (1) Base Compensation Rates for BTM STGUs will decline at a rate of two percent per Capacity Block and (2) Base Compensation Rates for Standalone STGUs will continue to decline at a rate of four percent per Capacity Block. 225 CMR 20.07(2). Also, under the revised SMART Regulations, Location Based Compensation Rate Adders will no longer decline as more STGUs qualify to receive them. 225 CMR 20.07(2). The Department has reviewed both of these programmatic changes and finds that each is likely to increase costs relative to the status quo, as BTM STGUs and STGUs with Location Based Adders now will receive higher compensation rates. However, the Department finds that any cost impact to ratepayers that may result from these changes is reasonable, particularly when viewed in the context of the overall costs of the SMART Program Expansion.⁴⁹ Additionally, these measures are likely to further promote the development of BTM STGUs that are sited in preferable locations (such as residential rooftop installations rather than those built on green or open space), which is consistent with Department precedent and the Commonwealth's policy objectives to preserve open space. See, e.g., D.P.U. 17-30, at 15; D.P.U. 16-147, at 15; D.P.U. 16-55, at 16; D.P.U. 16-25, at 20; G.L. c. 44B (Community Preservation Act); G.L. c. 184, §§ 31-33 (conservation restrictions). Accordingly, the Department finds that the Distribution Companies may seek recovery of costs associated with this revision to the SMART Program through their respective SMART Factors.

⁴⁹ See Section V.D, including Table A, below.

iv. Public Entity STGU Compensation Rate Adder

The Proposed SMART Provision does not expressly address the changes to the Public Entity STGU Compensation Rate Adder; however, Appendix A to the Proposed SMART Provision incorporates the currently effective Compensation Rate Adders by referring to 225 CMR 20.07(4) and to DOER's Guideline on Energy Storage, with a link. The changes in compensation rates provided in the SMART Regulations will flow through the Proposed SMART Provision affecting payments to STGUs and costs to ratepayers through the SMART Factor. Thus, it is appropriate for the Department to review the reasonableness of revisions to the SMART Regulations as affecting just and reasonable rates for ratepayers.

In revising the SMART Regulations, DOER modified the definition of the Public Entity STGU Compensation Rate Adder. 225 CMR 20.02 (Definitions). The change in definition now allows for facilities that are sited on public or private property to qualify for the adder so long as (1) the STGU also is owned or operated by the municipality in which it is sited, or (2) the owner of the STGU has assigned 100 percent of its output to the municipality or other governmental entities in the municipality in which the STGU is sited. 225 CMR 20.02 (Definitions). Previously only those STGUs sited on public property qualified for this adder.⁵⁰ Additionally, DOER modified the Public Entity STGU Compensation Rate Value, increasing it from \$0.02 per kilowatt hour ("kWh") to \$0.04 per kWh. 225 CMR 20.07(4)(b). Based on the Department's analysis of these changes, we find

⁵⁰ Redlined version of 225 CMR 20.00 available at <https://www.mass.gov/doc/225-cmr-2000-smart-redline-0/download>.

that each change likely will result in an increase in costs relative to the status quo as they increase the pool of STGUs eligible to receive the Public Entity STGU Compensation Rate Adder and they increase the value of that adder. The Department also finds that this programmatic change is consistent with the Solar Act's requirement to differentiate incentive levels to support diverse installation types including municipal or other governmental entity-owned solar facilities. St. 2016, c. 75 § 11(b)(vii). After review and consideration, the Department finds that the cost impacts to ratepayers that may result from these changes are reasonable, particularly when viewed in the context of the overall costs of the SMART Program Expansion.⁵¹ Accordingly, the Department finds that the Distribution Companies may seek recovery of costs associated with this revision to the Public Entity STGU Compensation Rate Adder through their respective SMART Factors.

v. Pollinator Adder

The revised SMART Regulations include a new Pollinator Adder that would be included as compensation for eligible STGUs. 225 CMR 20.07(4)(e). Eligible STGUs must obtain and maintain a specified certification from the University of Massachusetts⁵² Clean Energy Pollinator-Friendly Certification Program ("UMASS Pollinator Program"). 225 CMR 20.07(4)(e). Similar to initiatives in other states,⁵³ the UMASS Pollinator

⁵¹ See Section V.D, including Table A, below.

⁵² University of Massachusetts Amherst ("UMASS").

⁵³ For example, Maryland, Minnesota, and Vermont.

Program creates “pollinator-friendly”⁵⁴ designations to encourage establishment and management of pollinator friendly planting under and around large solar photovoltaic (“PV”) arrays.⁵⁵ In researching the development of the UMASS Pollinator Program, the UMASS Clean Energy Extension (“CEE”) determined:

- Native flowering herbs and shrubs provide habitat and food to pollinators and other species. Grassland habitat supports more than 70 animals and plants designated as Species of Greatest Conservation Need in Massachusetts.
- Establishing native plants under solar PV arrays may require higher upfront costs, but these practices can result in lower maintenance costs over time, due to reduced mowing schedules, and reduced needs for watering and herbicide application.
- Wildflower meadows and vegetation screens of native shrub species are aesthetically more appealing than grass or gravel. These plantings may make solar PV facilities more acceptable to neighbors and visitors.⁵⁶

The Pollinator Adder is not expressly listed or described in the Proposed SMART Provision, rather the adder is incorporated into the Proposed SMART Provision through a

⁵⁴ Pollination occurs when pollen is moved within flowers or carried from flower to flower by pollinating animals such as birds, bees, bats, butterflies, moths, beetles, or other animals, and by the wind (“pollinators”). The transfer of pollen in and between flowers of the same species leads to fertilization, and successful seed and fruit production for plants. Pollination ensures that a plant will produce full-bodied fruit and a full set of viable seeds. Pollinator Partnership, <https://www.pollinator.org/pollination> (last visited December 22, 2021).

⁵⁵ Pollinator-Friendly Solar PV Handout, https://ag.umass.edu/sites/ag.umass.edu/files/pdf-doc-ppt/pollinator_friendly_solar_handout.pdf (last visited December 22, 2021).

⁵⁶ Pollinator-Friendly Solar PV Handout.

reference to the SMART Regulations in Appendix A.⁵⁷ As compensation, the Pollinator Adder would be included in the calculation of incentives for eligible STGUs. The Distribution Companies would recover the Pollinator Adder as part of the SMART Factor charged to ratepayers. As such, while the Department recognizes the potential societal benefits of the UMASS Pollinator Program where a designed treatment plan cultivates land with appropriate vegetation to preserve and create pollinator habitat, the Department must examine the Pollinator Adder applying the just and reasonable standard.

Under G.L. c. 164, § 94, the Department has broad authority to investigate and rule on the rates, prices, and charges of a utility. Massachusetts Electric Company v. Department of Public Utilities, 419 Mass. 239, 245 (1994), citing Boston Edison Company v. Department of Public Utilities, 375 Mass. 1, 47 (1978) cert. denied, 439 U.S. 921 (1978). In considering rates, the Department has the authority to review the costs that will be reflected in them.⁵⁸ Massachusetts Electric Company, 419 Mass. at 245. The Solar Act allows DOER to “differentiate[] incentive levels to support diverse installation types and sizes.” St. 2016, c. 75, §§ 11(b)(vii). The Pollinator Adder provides an incentive to support the design and construction of non-energy-related projects on the same physical sites as solar generation facilities. Although the UMASS Pollinator Program may provide value to society,

⁵⁷ See Section VI for the Department’s directive for the explicit inclusion of compensation rates in the SMART Provision.

⁵⁸ The Distribution Companies estimate the cost of the Pollinator Adder to be \$19,644,149 over the life of the SMART Program (Exh. DPU 2-3).

we cannot find that the associated Pollinator Adder is a reasonable utility cost affecting the Distribution Companies' obligation to provide electric service to customers.⁵⁹ Massachusetts Electric Company, 419 Mass. at 246. Therefore, we cannot find that a SMART Factor charged to ratepayers that includes recovery of the Pollinator Adder is just and reasonable.

The Department fully supports initiatives to address the threat of diminishing pollinator populations and notes that sister agencies, such as the Department of Agricultural Resources and the Department of Conservation and Recreation, have implemented campaigns to promote and protect pollinators.⁶⁰ The Legislature also is considering bills related to promoting and protecting pollinators statewide. See, e.g., An Act to Protect Massachusetts Pollinators, H.896 (2021); An Act to Protect Pollinator Habitat, H.956 (2021). We further observe that our ruling is limited to the specific aspect of the proposed incentive under our jurisdiction: cost recovery of pollinator incentives through an approved tariff.⁶¹

⁵⁹ The Department cannot find a basis in the Solar Act, or otherwise, for the Pollinator Adder to be recovered in rates from ratepayers.

⁶⁰ See "Growing Wild Massachusetts," Department of Conservation and Recreation <https://www.mass.gov/guides/growing-wild-massachusetts> (last visited October 7, 2021); Massachusetts Pollinator Protection Plan <https://www.mass.gov/doc/massachusetts-pollinator-protection-plan/download> (last visited October 7, 2021).

⁶¹ The Department reiterates that DOER has the authority to establish program eligibility criteria pursuant to the Solar Act, and could construct a non-financial mandate or requirement through its regulations requiring or incentivizing "pollinator-friendly" project design.

vi. Land Use Criteria and Greenfield Subcontractors

The Proposed SMART Provision does not expressly address the changes to Land Use Criteria and Greenfield Subcontractors in the SMART Regulations. The changes, however, are incorporated where (1) the Proposed SMART Provision relies on the Statement of Qualification⁶² issued by DOER for STGU eligibility, and (2) the Proposed SMART Provision's calculation of incentive payments for BTM STGUs incorporates the Greenfield Subcontractors set forth in the SMART Regulations at 225 CMR 20.07 (Exh. DOER 1-1, Att., § 7.2). These programmatic changes likely will affect costs to ratepayers; thus, it is appropriate for the Department to review the reasonableness of revisions to the SMART Regulations as affecting just and reasonable rates for ratepayers.

In revising the SMART Regulations, DOER made significant changes to land use eligibility criteria and land use category definitions, and has increased the Greenfield Subcontractor⁶³ values applicable to facilities classified as Category 2 or Category 3 Land Use.⁶⁴

⁶² In the Proposed SMART Provision, Statement of Qualification means “a document issued by DOER that qualifies a STGU to participate in the SMART Program pursuant to 225 CMR 20.00” (Exh. DOER 1-1, Att., § 2.35). See also 225 CMR 20.02 (Definitions).

⁶³ Greenfield Subcontractor is defined as “a subcontractor to a Solar Tariff Generation Unit's Base Compensation Rate, established pursuant to 225 CMR 20.07(4)(g).” 225 CMR 20.02 (Definitions).

⁶⁴ For Category 2 and Category 3 Land Use STGUs that do not qualify for an exemption, DOER's amended SMART Regulations now require reductions in base compensation rates associated with the Greenfield Subcontractor value of \$0.00125 per kWh for Category 2 Land Use STGUs and \$0.0025 per kWh for

225 CMR 20.07(4)(g); 225 CMR 20.02 (Definitions); 225 CMR 20.05(5)(e); see also 225 CMR Draft Redline 5-4-20 version at 25-26 (available at <https://www.mass.gov/doc/225-cmr-2000-smart-redline-0/download>).⁶⁵ The Category 2 Land Use Greenfield Subtractor increased from \$0.0005 per kWh to \$0.00125 per kWh, and the Category 3 Land Use Greenfield Subtractor increased from \$0.001 per kWh to \$0.0025 per k/Wh. See 225 CMR 20.07(4)(g)2., 4.; see also 225 CMR Draft Redline 5-4-20 version at 25-26 (available at <https://www.mass.gov/doc/225-cmr-2000-smart-redline-0/download>). These changes likely will impact costs passed onto ratepayers as they almost certainly will change the makeup of STGUs that qualify under the SMART Program Expansion. Overall, the Department finds that these changes likely will have a mixed impact on the costs of the SMART Program. The increase in incentives for STGUs in areas classified as Category 1 Land Use is likely to lead to higher average compensation rates for these STGUs that qualify

Category 3 STGUs. 225 CMR 20.07 (4)(g)2., 4. (post-publication date Greenfield Subtractors).

⁶⁵ The SMART Regulations place all land in the Commonwealth into four separate categories: (1) Category 1 Land Use; (2) Category 2 Land Use; (3) Category 3 Land Use; and (4) Ineligible Land Use. 225 CMR 20.05(5)(e). Each category affects compensation for STGUs as follows: Category 1 Land Use is subject to no Greenfield Subtractor; Category 2 Land Use is subject to a Greenfield Subtractor of \$0.00125 per kWh per acre of land; and Category 3 Land Use is subject to a Greenfield Subtractor of \$0.0025 per kW per acre of land. 225 CMR 20.07(4)(g). Solar photovoltaic generation units located on Ineligible Land Use are not eligible to qualify as a STGU (thus, not eligible for compensation). 225 CMR 20.05(e)5.

for the program, as these facilities tend to be smaller in size⁶⁶ and/or eligible to receive a Location Based Adder.⁶⁷ Both of these factors lead to higher compensation rates and to an increase in costs relative to the status quo.⁶⁸ However, the higher Greenfield Subtractor values are likely to lead to lower compensation rates for facilities that are sited in areas classified as Category 2 and Category 3 Land Use, which will reduce costs relative to the status quo. As such, on balance, the Department finds that the cost impacts to ratepayers

⁶⁶ Category 1 Land Use STGUs will be designated as either Category 1 Agricultural or Category 1 Non-agricultural. Category 1 Agricultural will include: (1) Agricultural STGUs; (2) Building Mounted STGUs; (3) Floating STGUs; (4) Canopy STGUs; and (5) STGUs sized to meet no greater than 200 percent of annual operational load of an agricultural facility. Category 1 Non-agricultural STGUs will include: (1) Ground-mounted STGUs with a capacity less than or equal to 500 kW; (2) Building mounted STGUs; (3) STGUs sited on Brownfields; (4) STGUs sited on eligible landfills; (5) Floating STGUs; (6) Canopy STGUs; (7) Ground-mounted STGUs with a capacity greater than 500 kW and less than 5,000 kW that are on land previously developed; and (8) Ground-mounted STGUs with a capacity greater than 500 kW and less than or equal to 5,000 kW that are sited within a solar overlay district or that comply with established local zoning that explicitly addresses solar or power generation. 225 CMR 20.05(e)2.

⁶⁷ See 225 CMR 20.05(5)(e)2.a. (Category 1 eligible for Location Based Adder); 225 CMR 20.07(4)(a) (compensation amounts); and DOER Guideline on Capacity Blocks, Base Compensation Rates and Compensation Rate Adders (June 8, 2020) (available at <https://www.mass.gov/doc/capacity-block-base-compensation-rate-and-compensation-rate-adder-guideline-2>).

⁶⁸ STGUs with lower generation capacity (*i.e.*, the 25 kW AC to 250 kW AC block vs. the 250 kW AC to 500 kW AC block) earn higher incentive rates and thus will likely lead to an increase in costs for ratepayers relative to the status quo. See DOER Guideline on Capacity Block Base Compensation rate and Compensation Rate Adders, BTM Base Compensation Rates and Standard Base Compensation Rates (June 8, 2020) (available at <https://www.mass.gov/doc/capacity-block-base-compensation-rate-and-compensation-rate-adder-guideline-2>).

that might result from these changes are reasonable, particularly when viewed in the context of the overall costs of the expansion of the SMART Program.^{69, 70} Furthermore the Department recognizes that these programmatic changes may further the Commonwealth's policy to encourage siting solar facilities in locations with environmental benefits.⁷¹ See Solar Act, St. 2016, c. 75, §§ 11(b) (vii), (ix), (x) (enumerating goals for DOER when developing a statewide solar incentive program, including those that consider environmental benefits); see also, 225 CMR 20.05(5)(e) (higher incentives for Building and Canopy STGUs); 225 CMR 20.07(4)(a) (higher compensation provided to Canopy STGUs);⁷² and 225 CMR 14.05(9)(l)2.a (placing "Solar Canopy Generation Units" in Market Sector A, the highest compensation category). Accordingly, the Department finds that the Distribution

⁶⁹ See Section V.D, including Table A, below.

⁷⁰ The Department notes that these changes are consistent with the Solar Act's requirements to consider environmental benefits and to encourage solar generation where it can provide benefits to the electric distribution system. St. 2016, c. 75, § 11(b)(ix) and (x).

⁷¹ The Department has historically found the construction of solar facilities on rooftops, landfills, or brownfields to be preferable to facilities built on green or open space that could be used for another purpose. See, e.g., D.P.U. 17-30, at 15; D.P.U. 16-147, at 15; D.P.U. 16-55, at 16; D.P.U. 16-25, at 20.

⁷² The generally accepted benefits of solar canopies include (a) use of renewable energy in support of reduced greenhouse gas emissions, (b) better usage of current space, (c) reduced energy consumption and electric costs, and (d) shaded, cooler, and more comfortable cars. Parking Lot Solar Canopy Installation, <http://solarbyempire.com/why-solar/solar-options/118-parking-lot-canopies> (last visited December 23, 2021).

Companies may seek recovery of costs associated with this revision to the Land Use Criteria and Greenfield Subtractors through their respective SMART Factors.

vii. Energy Storage Requirements

The Proposed SMART Provision does not expressly address the changes to the ESS requirements; however, Appendix A to the Proposed SMART Provision incorporates the currently effective Compensation Rate Adders by referring to 225 CMR 20.07(4) and to DOER's Guideline on Energy Storage, with a link. The changes in compensation rates provided in the SMART Regulations will flow through the Proposed SMART Provision affecting payments to STGUs and costs to ratepayers through the SMART Factor, thus the Department must review the reasonableness of revisions to the SMART Regulations for the purpose of ensuring just and reasonable rates for ratepayers.

As part of DOER's changes to the SMART Regulations, STGUs with a capacity greater than 500 kW now must be paired with an ESS to participate in the SMART Program.⁷³ 225 CMR 20.05(5)(k). Similar to other programmatic changes made to the SMART Regulations, the Department notes that this change is likely to have an impact on rates as it will result in additional STGUs that receive the Energy Storage Adder pursuant to 225 CMR 20.07(3)(c). The Department notes that providing an additional incentive (the

⁷³ Exceptions to this requirement are considered on a case-by-case basis if a STGU can demonstrate to DOER's satisfaction that (1) documentation required to meet the criteria set forth in 225 CMR 20.06(1)(c) was obtained on or before April 15, 2020 (the Publication Date), or (2) it should be granted an exception for good cause. 225 CMR 20.05(5)(k)1.

Energy Storage Adder) for complying with the minimum eligibility requirements of the SMART Program may result in additional costs ratepayers. The Department finds that this programmatic change is consistent with the Commonwealth's goal of installing more energy storage⁷⁴ and that any cost impact to ratepayers that may result from this change is reasonable, particularly when viewed in the context of the overall costs of the SMART Program Expansion.⁷⁵ Accordingly, the Department finds that the Distribution Companies may seek recovery of costs associated with the Energy Storage Adder for STGUs with a capacity greater than 500 kW through their respective SMART Factors.

D. Total Net Costs to Ratepayers of the SMART Program Expansion

The Solar Act requires DOER to promulgate rules and regulations that lower the cost of the Commonwealth's solar incentive programs for ratepayers. St. 2016, c. 75, § 11(a). The costs of the SMART Program proposed for recovery through the SMART Provision include incentive payments, AOBCs, and incremental capital and administrative costs associated with the implementation and operation of the SMART Program (Exh. EDC-1, §§ 1.0 (purpose), 7.0 (Calculation of Incentive Payments), and 14.0 (Calculation of SMART Factor)). These costs are then offset by wholesale market revenue (e.g., energy and capacity), class I renewable energy and certificate proceeds, and clean peak energy certificate

⁷⁴ The Commonwealth has established an energy storage target of 1,000 megawatt-hours, which must be achieved by December 31, 2025. An Act to Advance Clean Energy, St. 2018, c. 227, § 20.

⁷⁵ See Section V.D, including Table A, below.

proceeds (Exh. Attachment DPU-2-1, worksheet “1. Climate Act SMART Costs,” rows 4-6).

Below is a table showing the Distribution Companies’ estimated statewide net costs over the next 25 years for the following solar incentive programs with total net costs and net costs on a dollars-per-megawatt-hour-basis: (i) SMART Program Expansion, (ii) SMART I (the initial 1,600 MW under the SMART Program), (iii) SREC I, and (iv) SREC II.

Table A		
Estimated Statewide Solar Incentive Program Costs – Next 25 Years		
Program	Total Costs	Costs Per MWh⁷⁶
SMART Program Expansion	\$ 3,636,195,383	\$ 87.24
SMART I	\$ 4,999,056,103	\$ 119.94
SREC I and SREC II	\$ 6,654,193,373	
SREC I		\$ 314.98
SREC II		\$ 235.09

Sources: Total Costs (Exhs. DPU 2-1, Att., worksheet “1. Climate Act SMART Costs,” cells J18 and K18; EDC-4 FINAL (02-16-2021), worksheet “SREC I,” cell C20; EDC-4 FINAL (02-16-2021), worksheet “SREC II,” cell C20).⁷⁷

Costs Per MWh (Exhs. DPU 2-1, Att., worksheet “1. Climate Act SMART Costs,” cells J18 and K18; EDC-4 FINAL (02-16-2021), worksheet “SREC I,” cell C20; EDC-4 FINAL (02-16-2021), worksheet “SREC II,” cell C20; EDC-4 FINAL (02-16-2021), worksheet “5. Net Cost \$ per MWh,” row 2).⁷⁸

⁷⁶ Megawatt hour

⁷⁷ The combined SREC I and SREC II net costs were calculated by adding the net costs of each program as provided in Exhibit EDC-4 FINAL (02-16-2021).

⁷⁸ The dollars-per-MWh estimates for the SMART I and SMART Program Expansion are determined by dividing the most recent estimated total net cost figures provided by the Distribution Companies for each program by the “Program Estimated Generation” provided in Exhibit EDC-4 FINAL (02-16-2021), worksheet “5. Net Cost \$ per

This table shows that, based on estimated costs for the next 25 years, the SMART Program Expansion is expected to provide lower total costs for ratepayers than the other solar incentive programs. As a threshold matter, we find that the cost estimates produced by the Distribution Companies provide a reliable basis to compare costs across the solar incentive programs. Therefore, we find credible evidence that the SMART Program Expansion would be consistent with the statutory provision that the associated costs would be lower for ratepayers compared to the existing solar incentive programs. Also, consistent with our findings, the data presented is a reliable predictor of just and reasonable rates.

VI. SETTING FORTH COMPENSATION RATE ADDERS AND GREENFIELD SUBTRACTORS IN THE SMART PROVISION

As stated above, the Compensation Rate Adders, which are part of the incentive payments to STGUs, are not expressly set forth in the Proposed SMART Provision or Appendix A. The Compensation Rate Adders, rather, are incorporated into the Proposed SMART Provision through a reference to the SMART Regulations at 225 CMR 20.07(4) and a link to DOER's Guideline on Energy Storage. Greenfield Subtractors, which likewise are part of the incentive payments to STGUs, are not expressly incorporated into the Proposed SMART Provision nor are they referenced in Appendix A.

MWh.” The Program Estimated Generation for the SMART Program Expansion is assumed to be equal to the estimate provided for the first phase of the SMART Program as each phase of the program is designed to support the same quantity of solar generating capacity.

Generally, a tariff is a public document setting forth a description of the utility's services being offered, the availability of the services offered, rates and charges with respect to the services, and governing rules, regulations, and practices related to those services. Boston Gas Company, D.P.U. 92-259, at 40-41 (1993), citing International Telephone & Telegraph Company v. United Telephone Company of Florida, 433 F.Supp. 352, 357 n.4 (M.D. Fla., 1975), aff'd 550 F.2d 287 (5th Cir. 1977). The SMART Provision is the vehicle for implementing key elements of the SMART Program under the SMART Regulations and consistent with the Solar Act, including providing incentive payments and AOBs to eligible STGUs (Exh. DOER 1-1, Att., §§ 7.0, 10.0). 225 CMR 20.05, 20.07, 20.08; St. 2016, c. 75, § 11(b).⁷⁹ The incentive payments include the Compensation Rate Adders and Greenfield Subtractors (Exh. DOER 1-1, Att., § 7.0). The Compensation Rate Adders and Greenfield Subtractors are set amounts stated in the SMART Regulations, but, as stated above, they are not set forth in the SMART Provision. 225 CMR 20.07(4).

Consistent with the essential descriptive element of a tariff, the Department finds that the Compensation Rates Adders and Greenfield Subtractors must be explicitly set forth in the SMART Provision rather than identified through a reference. The inclusion of the Compensation Rate Adders in the SMART Provision will allow STGUs to more easily ascertain their incentive payments, and more importantly, allow the Department to perform

⁷⁹ The Distribution Companies recover total payments to STGUs through their SMART Factors, which are a component of the SMART Provision (Exh. DOER 1-1, Att., §§ 12.0, 14.0).

its legal function of determining just and reasonable rates. Also, inclusion of the Compensation Rates Adders and Greenfield Subcontractors in the SMART Provision will provide transparency for ratepayers. If the Compensation Rate Adders or Greenfield Subcontractors change, the Department will have the opportunity to exercise its authority to review and approve any revisions to the SMART Provision that impact costs to ratepayers consistent with the SMART Regulations. 225 CMR 20.05(2).

Accordingly, the Department directs the Distribution Companies to revise Appendix A of the model SMART Provision to include all Compensation Rate Adder values, Greenfield Subcontractor values, and any applicable formulae. Additionally, the Distribution Companies must obtain prior approval from the Department for any changes in definitions or eligibility that could change the level of costs for which cost recovery from ratepayers will be sought.

VII. MISCELLANEOUS ISSUES

A. Changes to Capacity Block Allotment Methodology for Eversource

Eversource has proposed changes to the methodology used to calculate the Capacity Block allotments for its Eastern Massachusetts and Western Massachusetts service territories (Exh. EDC-1, at 9). The proposed changes call for the merger of the Capacity Blocks for these two previously separate service territories into a single, statewide Capacity Block under the SMART Program Expansion. (Exh. EDC-1, at 9). The Department has reviewed this change and determines that it is consistent with both the revised SMART Regulations as well as prior Department directives to merge the Capacity Blocks. 225 CMR 20.05(3)(e); D.P.U. 17-140-A at 204-206; D.P.U. 17-140-C at 15-18. Therefore, the Department

approves Eversource's proposed methodology used to the Capacity Block allotments for its Eastern Massachusetts and Western Massachusetts service territories.

B. AOBC Credit Transfers Across Eversource's Service Territories

In its brief, SEIA asserts that the Department should eliminate the restriction in Eversource's SMART Provision that prohibits AOBCs from being transferred between customers in Eversource's Eastern Massachusetts and Western Massachusetts service territories and asks that the Department direct Eversource to make this change as part of Phase I of this proceeding (SEIA Brief at 11-12). SEIA argues that eliminating the prohibition is consistent with the merger of NSTAR Electric Company and Western Massachusetts Electric Company and with the consolidation of the Capacity Blocks for the two former service territories (SEIA Brief at 12). SEIA also argues that the elimination of this restriction is required by the Section 96 of the Climate Act, which, it contends, pertains to AOBCs (SEIA Brief at 12). In their reply brief, the Distribution Companies maintain that the implementation of several solar-related provisions of the Climate Act will require potentially complex billing system solutions (Distribution Companies Reply Brief at 2-3). The Distribution Companies further assert that these issues are intertwined with other Department proceedings that are currently open or likely will be addressed in the near future, and therefore suggest that the proper venue to address these issues holistically would be through a separate standalone docket on the specific topic of billing system and process-related changes needed to implement the Climate Act (Distribution Companies Reply Brief at 3).

The Department agrees with SEIA that Section 96 of the Climate Act pertains to AOBCs and that it plainly requires AOBC transfers to be processed throughout Distribution Company service territories without respect to ISO-NE load zone boundaries. However, the Department also agrees with the Distribution Companies that this issue is complex and potentially has implications beyond Phase I of this proceeding. The Department, therefore, finds that this issue requires further investigation before the provisions of Section 96 of the Climate Act can be implemented comprehensively and effectively. Billing system upgrade issues are not limited to the SMART Program; these issues have been raised in several contexts, including grid modernization and net metering proceedings. Indeed, the Distribution Companies note that Eversource has proposed to implement an entirely new billing system as part of its advanced metering infrastructure proposal in NSTAR Electric Company, D.P.U. 21-80 (grid modernization plan for 2022 to 2025) (Distribution Companies Reply Brief at 3). We find the issue of billing system upgrades necessary to implement the Climate Act has implications across several major matters. In Phase II of this proceeding, the Department will determine the appropriate means to address these issues.

VIII. ORDER

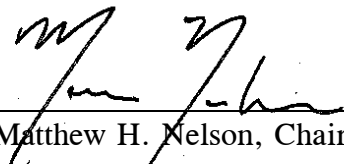
Accordingly, after notice, comment, hearing, and due consideration, it is


ORDERED: That the revised Model Solar Massachusetts Renewable Target Provision submitted for approval by Fitchburg Gas and Electric Light Company d/b/a Unitil, NSTAR Electric Company d/b/a Eversource Energy, and Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid is **DISALLOWED**; and it is

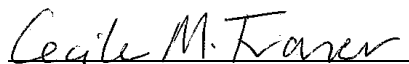
FURTHER ORDERED: That Fitchburg Gas and Electric Light Company d/b/a Unitil, NSTAR Electric Company d/b/a Eversource Energy, and Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid shall within 15 business days of the date of this Order submit a revised Model Solar Massachusetts Renewable Target Provision consistent with the directives contained herein; and it is

FURTHER ORDERED: That Fitchburg Gas and Electric Light Company d/b/a Unitil, NSTAR Electric Company d/b/a Eversource Energy, and Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid shall comply with all directives contained in this Order.

By Order of the Department,


Matthew H. Nelson, Chair


Robert E. Hayden, Commissioner


Cecile M. Fraser, Commissioner

An appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part. Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of the twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. G.L. c. 25, § 5.