JOINT COMMITTEE ON TELECOMMUNICATIONS, UTILITIES, AND ENERGY

BILL SUMMARY

BILL NO. H.3539

TITLE: An Act relative to a tactical transition to affordable, clean thermal energy

SPONSOR: Representatives Steve Owens and Jenniffer Balinsky Armini

COMMITTEE: Telecommunications, Utilities, and Energy

HEARING DATE: October 29, 2025

PRIOR HISTORY: *New bill*

CURRENT LAW:
Section 9 of Chapter 25 of the General Laws pertains to the DPU's duties relative to water, gas, and electric companies and the expenditures and employment for the performance of the DPU's duties relative to said companies.

Section 1 of Chapter 164 of the General Laws pertains to the definitions relative to the manufacture and sale of gas and electricity.

Section 94 of Chapter 164 of the General Laws pertains to the schedule of rates, including the prices and charges to be charged or collected for the sale and distribution of gas or electricity, together with all forms of contracts to be used in such schedules.

Section 106 of Chapter 164 of the General Laws pertains to the regulation of the quality of gas.

Section 141 of Chapter 164 of the General Laws pertains to the decisions or actions regarding rate design and the adjustment to low-income rate discounts when the scale of on-site generation would have an impact on affordability for low-income customers.

Section 145 of Chapter 164 of the General Laws pertains to the GSEPs for replacement or improvement of aging or leaking natural gas infrastructure.

SUMMARY:

- Section 1: Inserts "utility-scale non-emitting thermal energy" companies into the duties relative to water, gas and electric companies.

- Section 2: Inserts a definition of “non-gas pipe alternative” into Section 1 of chapter 164 of the General Laws as follows:
    - “a retirement of a gas pipeline, an advanced leak repair of gas infrastructure, or an installation of non-emitting thermal infrastructure, including, but not limited to, electrification of space heating, that: (i) delays, reduces or avoids the need to construct, expand or replace gas infrastructure; and (ii) reduces greenhouse gas emissions as required by chapter 21N.”
- Section 3: Directs the DPU to not permit a gas company to recover the costs of construction, expansion or replacement of gas distribution infrastructure through rates, prices or charges, unless the company demonstrates that all applicable non-gas pipe alternatives were considered and found to be non-viable or cost prohibitive
- Section 4: Replaces “gas or electricity” with “gas, utility-scale non-emitting thermal energy or electricity” in Section 94 of Chapter 164 of the General Laws
- Section 6: Requires the DPU, when ascertaining the degree of purity required in gas, to restrict the injection of any amount of a substitute fuel from any source into a gas distribution system that delivers thermal energy unless that substitute fuel:
    - Does not emit greenhouse gas in its lifecycle
    - Does not pose a safety hazard
    - Has a reliable source of supply to ensure affordability

  The DPU is also directed to prohibit the injection of any amount of hydrogen into a gas distribution system that delivers thermal energy, except the DPU may permit the injection of hydrogen if it is produced from a renewable energy generating source, into a gas distribution system that is difficult to decarbonize.
- Section 7: Requires the DPU to approve a merger of the rate base of utility-scale non-emitting thermal energy systems with the rate base of has infrastructure in a rate design or other plan. The DPU is also required to permit cross-subsidization between gas ratepayers and utility-scale non-emitting thermal energy system ratepayers. Additionally, the DPU is prohibited from approving a rate design that allows gas companies to recover the costs of line or main extensions to connect new customers to the gas distribution system. A customer requesting new gas service must pay the full capital costs.
- Section 8: Decreases the percentage of a gas company’s revenue requirement eligible for recovery that a company spends on projects to replace gas infrastructure. The percentage decreases each year by an amount determine by the DPU until not later than 2035, when 100% of the revenue requirement eligible for recovery is spent on repair or retirement of gas infrastructure and on the installation of utility-scale non-emitting thermal energy projects and 0% of the revenue requirement of such company is spent on the replacement of gas infrastructure.
- Section 9: Inserts several new sections in Chapter 164 of the General Laws. Inserts a Section 152 which requires a gas company and EDC that share a service territory to submit, yearly, a joint tactical thermal transition plan to:
    - Reduce greenhouse gas emissions
    - Promote affordability, including through the maximization of avoided costs and stranded assets
    - Promote the priorities of the DPU

  The tactical thermal plan is required to cover the projected work to be performed by street segment over the next 5 years, including:
        - The gas infrastructure to be retired and replaced with utility-scale non-emitting thermal energy systems and the avoided costs associated with installing such systems

- The gas infrastructure to be retired and replaced by other forms of non-emitting thermal energy, and the cost, for reach street segment to upgrade the electric system to meet increased demand
- The gas infrastructure to be upgraded or replaced with new gas infrastructure and the associated costs for reach street segment

Each plan is also required to include:

- The projected miles of gas pipe to be retired or replaced and the projected reduction in GHG emissions during each 5-year period until 2050
- A plan for the hire, retention, and training of an operation and maintenance workforce

In the development of the tactical thermal transition plan, a gas company and EDC are required to solicit recommendations from the Thermal Transition Advisory Council as established in this section. A gas company or EDC that share service territory are required to submit their joint tactical thermal transition plan to the Thermal Transition Advisory Council before they submit it to the DPU. The joint tactical thermal transition plan is then submitted to the DPU along with a demonstration of the Council's review and recommendations, including the status of each recommendation and an explanation of whether the recommendation was adopted, modified, or rejected. The DPU must provide an opportunity for public comment and approve, approve with modifications, or reject such plan within 60 days of submittal. The DPU is also directed to establish and require performance-based rates related to the implementation of such plan.

Upon approval by the department of the installation of a utility-scale non-emitting thermal energy system by a gas company, the electric distribution company serving the territory in which the system will be installed shall determine the avoided costs. The EDC can recover from its ratepayers a portion, determined by the DPU, of the avoided costs and shall transfer not less than 70% of such avoided costs to the PA of the Mass Save program. This section also contains a provision that avoids duplicative infrastructure to maintain affordability. In a plan filed by the gas company that includes the installation of utility-scale -emitting thermal energy or other non-gas pipe alternatives, the gas company is required to provide training and continued employment at pre-existing wages and benefits to workers employed by said company whose jobs would be impacted by this transition.

This section inserts a new Section 153 which establishes the Thermal Transition Advisory Council which is to review and provide recommendations on the tactical thermal transition plans and encourage least-cost investments in the transition of gas distribution customers to sources of non-emitting thermal energy. The council is directed to submit to the Department a proposed funding requirement and the Department is required to allocate funds for the council from the natural gas and electric energy efficiency plans, provided it is less than 1% of said plans budget. The council is to consist of the following members who shall serve for terms of 5 years and may be reappointed:

- Executive director of the office of energy transformation, or designee, who shall serve as chair
- The commissioner of DOER, or designee
- The attorney general
- The executive director of MassCEC, or designee
- 12 members appointed by the governor who represent:

    - 1 representative of middle-income and low-income residential customers
    - 1 representative of a local agency administering the low-income weatherization assistance program
    - 1 representative of the environmental advocacy community
    - 1 representative of the thermal transition advocacy community
    - 1 representative of an environmental justice community organization
    - 1 representative of the energy efficiency industry
    - 1 representative of the utility-scale non-emitting thermal energy industry
    - 1 representative of the building electrification industry
    - 1 representative of the thermal energy workforce
    - 1 representative of the gas workforce
    - 1 representative of municipal or regional interests
    - 1 representative who shall have technical and engineering expertise in utility-scale non-emitting thermal energy systems
    - 1 representative of businesses, including large commercial and industrial end-use customers
- And 1 member from each gas company and electric distribution company, who shall serve as non-voting members.

This section also inserts a new section 154 in Chapter 164 which allows a city or town to vote by a majority of the city council or by vote of the majority of the select board, establish a clean energy utility that:

- Owns and installs solar energy systems that qualify as class I net metering facilities and energy storage systems with nameplate capacities that are equal to or less than 25 kilowatts on private property
- Owns and installs utility-scale non-emitting thermal energy systems and sells the thermal energy produced by such systems to customers connected to such systems

The DPU, in consultation with DOER shall require an EDC to implement consolidated billing on solar energy systems and battery storage facilities pursuant to the above section and apply the net value of the bill credit to the account of a customer and remit directly to the city or town such portion of the payment allocated to such city or town.

This section also inserts a new Section 155 which directs the DPU to promulgate regulations governing the installation, construction, operation, and maintenance of utility-scale non-emitting thermal energy systems to promote the safe, efficient and affordable development of such systems.

This section lastly inserts a new Section 156 which directs the DPU to designate priority neighborhood electrification zones by January 1, 2027. In determining said zones, the DPU shall consider the following factors, but not limited to

- The tactical thermal transition plans
- The availability of supportive municipal government or community partners
- The concentration of low-and moderate-income customers
- The concentration of projects to replace gas distribution pipes

The DPU is directed to coordinate with relevant agencies to identify non-ratepayer funding sources to implement electrification projects in these zones and may direct a gas company and an EDC to obtain resources for an electrification project from other available programs. On or before

January 1, 2027, the DPU, in consultation with the gas companies and EDCs shall establish a program to facilitate the cost-effective decarbonization of priority neighborhood electrification zones. In administering such projects the DPU shall establish the following:

- A process for a gas company to determine and submit electrification projects for approval by the DPU
- Criteria and methodology for determining cost-effectiveness of electrification projects as compared to replacement, repair, or continued operation of the gas system
- Requirements and programs to ensure a substitute for gas service for low-income customers is affordable, adequate, efficient, and just and reasonable
- A preference for projects that provide prevailing wages
- A requirement that a gas company recover costs related to a project that are deemed just and reasonable and a requirement that prohibits a gas company from recovering behind-the-meter costs associated with a project as capital costs that are afforded a rate of return
- The appropriate rate of return and recovery period that a gas company is eligible to receive for its cost to implement an electrification project, provided the company shall not receive ratepayer funding for the costs of an electrification project that are covered under federal, state, or local laws.

This section also contains a provision to avoid duplicative infrastructure work to maintain affordability. Beginning on January 1, 2030, the DPU shall review the efficacy of the electrification projects in providing customer benefits and assisting in meeting our greenhouse gas emission limits and sublimits and submit a report to the relevant committee in the general court for review. On or before March 1, 2027, and on or before March 1, of each year thereafter, the DPU is required to submit a progress report on the electrification projects to the relevant committee of the general court