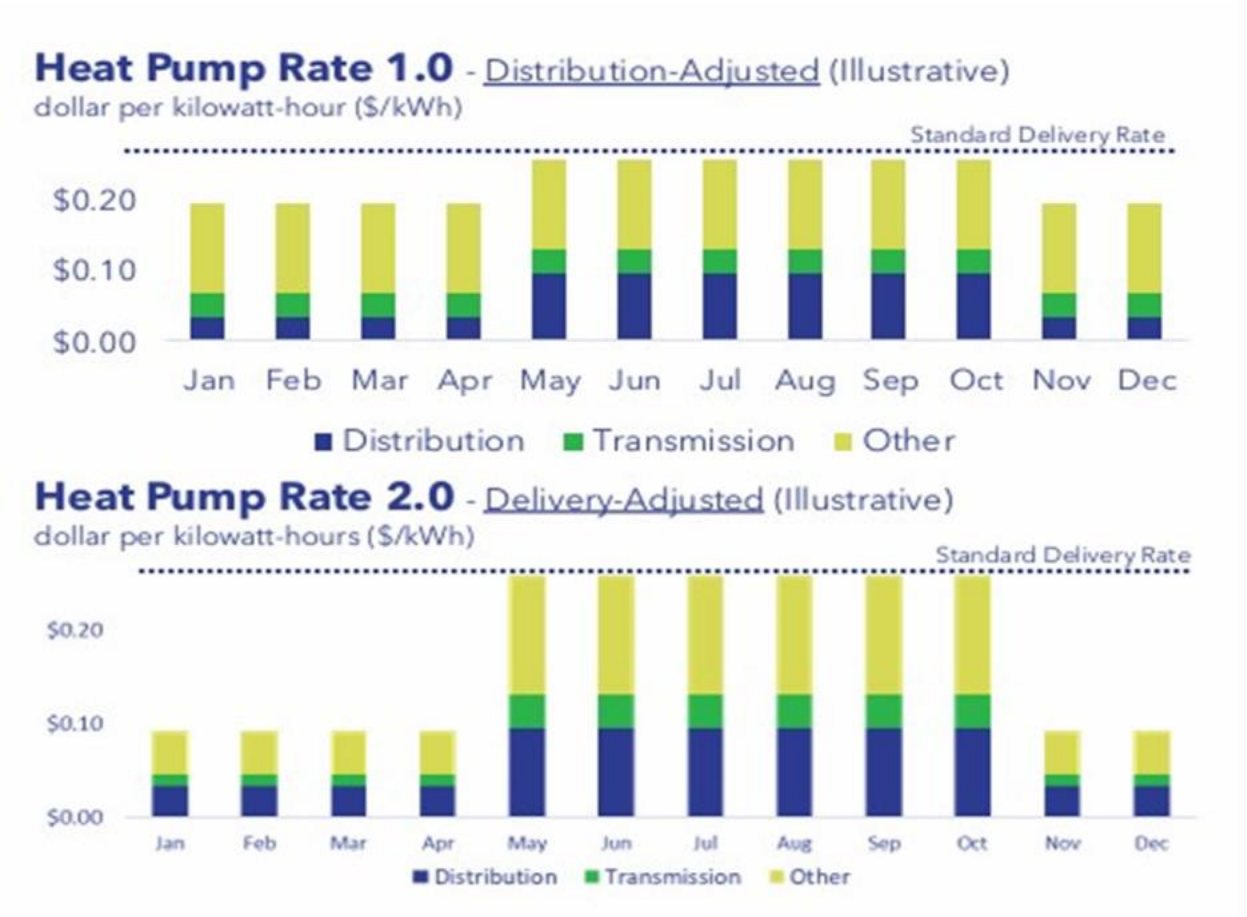
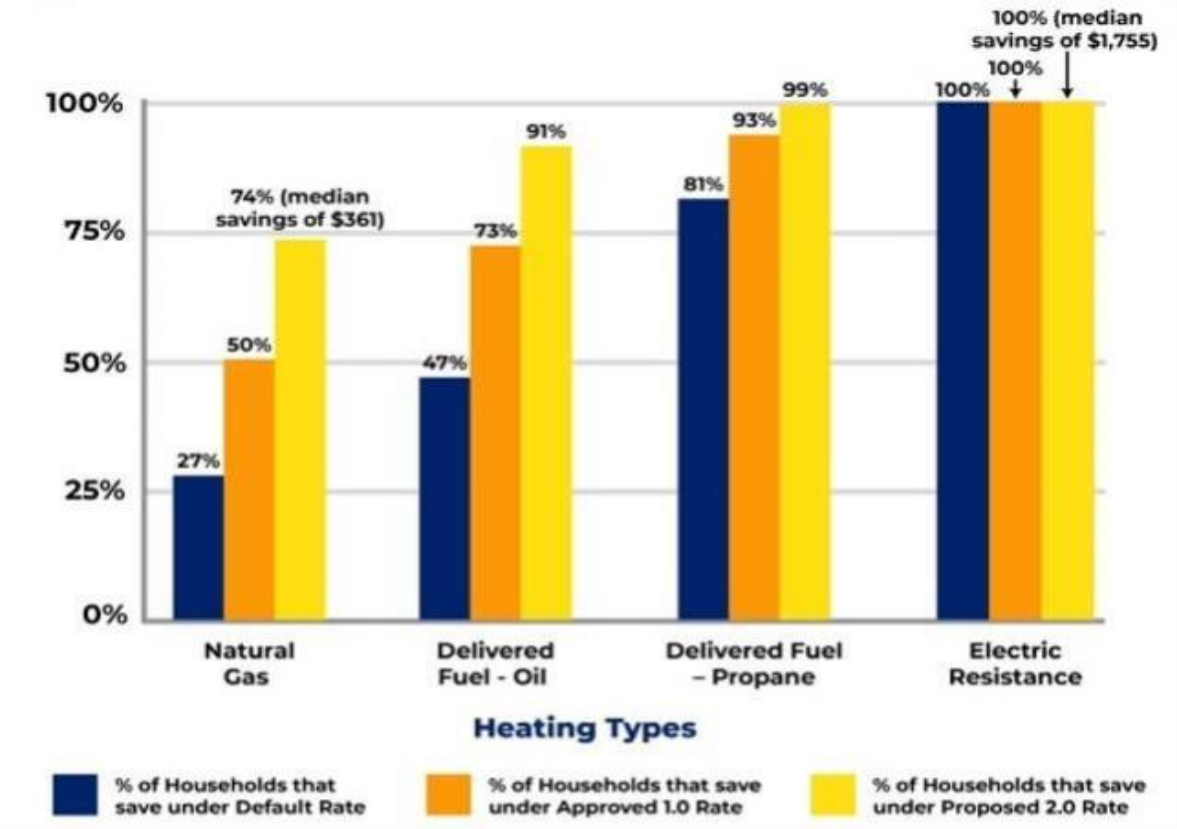
Frequently Asked Questions About the 2.0 Heat Pump Rates

1. **What is the difference between the 1.0 and 2.0 rates?**



Above is a helpful graphic from the MA Department of Energy Resources. Your electric bill is made up of the supply side (the cost of the actual electrons) and the delivery side (poles and wires). Within the delivery portion (the only portion displayed above) there are 3 different charges: Distribution (blue), Transmission (green), and other policy and program charges (yellow). The dotted line represents the standard default delivery rate. With 1.0 rates, on the top graph, you can see that during the heating season (Nov-Apr) only the distribution portion is reduced. With 2.0 rates, the other delivery rate components, including the transmission charge and many of the other charges, are reduced. This matters because the cost of delivering electricity is driven more by peak demand than by how much electricity a customer uses overall. Under the current 1.0 rates, winter electricity costs remain higher than they should be to fairly reflect actual delivery costs for heat pump users. 2.0 rates fully align costs with true heat pump impacts on the system and deliver a fairer outcome for heat pump customers.

2. **What is the estimated savings of 2.0 rates compared to 1.0 rates?**



The Switchbox analysis looked at the percentage of households that would save when they upgrade to a heat pump on the default rate (blue bars), 1.0 rate (orange bars), and 2.0 rate (yellow bars), broken down by fuel type. Under default rates, only 45% of homes would save money across the different heating types by switching to heat pumps. With the 1.0 rates, 64% of homes save. With the proposed 2.0 rates, 82% of homes would save. So, while the n1.0 rates are certainly an improvement, 2.0 is the real goal for truly equitable and affordable electrification, helping Massachusetts reach its climate and energy goals faster.

3. **How did these 2.0 rates come about?** Thanks to the Interagency State Working Group (IRWG). The IRWG is a state-led multi agency collaborative that was established to advance near and long-term electric rate designs that align with both the commonwealths' affordability priorities and decarbonization mandates. They released recommendations that all EDCs offer heat pump rates as a near term solution to address the disincentive for customers to transition to electric heat pumps under existing electric rates So that has resulted in these rates that went into effect this November which we're calling "1.0 rates", while these rates a strong first step, they don't go far enough to truly get at the issue of fairness for heat pump

users, which is why DOER petitioned the DPU on behalf of the IRWG to open an investigation on heat pump rate "2.0s" per the IRWG recommendations.

4. **How will the 2.0 rates help reduce the energy burden for low-income households?** Today, about 66% of low-income households spend more than 6% of their income on heating bills—even when they fully participate in existing discount programs. However, by combining cold-climate air-source heat pumps with the proposed "2.0" heat pump electricity rates and automatic enrollment in discount programs, that share would drop dramatically from 66% to 30%, significantly reducing the energy burden for low-income families. Note that the state would need to establish a process for automatically enrolling low-income customers in the discount program when they sign up for the heat pump rate. This step is not currently being implemented.