

GSEP Working Group

Meeting Date: June 21, 2023 (held virtually)

Final Minutes – Approved at September 19, 2023 Meeting

Attendees:

- Jamie Van Nostrand, Chair, Department of Public Utilities (“DPU”)
- Alice Davey, Attorney, Legal Division, DPU
- Senator Michael Barrett, Senate Chair, Joint Committee on Telecommunications, Utilities, and Energy
- Audrey Horst, Research Director, Senator Michael Barrett’s office
- JoAnn Bodemer, Assistant Attorney General, Office of the Attorney General
- Sharon Weber, Deputy Division Director, Air & Climate Programs, Department of Environmental Protection (“MassDEP”)
- Shevie Brown, Gas Policy Analyst, Department of Energy Resources
- Amy Smith, Director, Gas Division, National Grid
- Lynne Nadeau, Regulatory Affairs Manager, National Grid
- William Akley, President, Gas Business, Eversource Energy
- Robert Hevert, President, Unutil
- Kristen Jardin, Director of Rates and Regulatory Affairs, Liberty
- Sue Kristjansson, President and Chief Operating Officer, Berkshire Gas
- Jerrold Oppenheim, Co-Owner, Democracy and Regulation, representing Low-Income Energy Affordability Network (“LEAN”)
- Jenifer Bosco, Senior Attorney, National Consumer Law Center (“NCLC”)
- John Buonopane, Representative, United Steelworkers, Local 12012
- Pete Dion, General Manager, Wakefield Municipal Gas and Light Department
- Heather Takle, President and CEO, PowerOptions
- Audrey Schulman, Co-Founder and Co-Executive Director, HEET

- Priya Gandbhir, Senior Attorney, Conservation Law Foundation (“CLF”)

Moderator – Alice Davey, DPU - Welcome. Noted that meeting is being recorded via zoom by member of public. Discussed procedural matters, including notice publication. Took roll call. Approving draft minutes from May 26 meeting. Asked Senator Barrett for update on working group extension request.

Senator Barrett – Took request to Senate Ways and Means and was assured extension would be granted. But waiting for supplemental budget for fiscal year 2023, which hasn’t moved yet. No report is due until after fiscal year and legislature is accustomed to reports being filed late; group could continue working or could suspend until formal request granted. Depends on people on this call.

Priya Gandbhir, CLF – Suggest we take a break from meetings and put together a plan for moving forward.

Audrey Schulman, HEET – Suggests meeting in person as a better way to share information.

Alice Davey, DPU – DPU in agreement with Priya’s suggestion to take a break from meetings.

Group discussion about technology needed for hybrid meetings

Alice Davey, DPU – Plan today is to continue with three presentations that we weren’t able to get to at the last meeting. Also received some thoughts from people for additional presentations so at end of the three presentations, I’ll open it up to the group for discussion. Will also dedicate a later meeting to the report format. Will now move to Jerry, Priya, and Jenifer for a presentation on the GSEP ending date.

Priya Gandbhir, CLF – Report should require DPU to open investigation into planning a phased end to the GSEPs. Department must lead investigation and presiding officer should include a hearing officer from the gas division, a hearing officer from the electric division, a hearing officer from rate design, and one commissioner. Those submitting recommendations must disclose funding sources. DPU will then use recommendations to determine metrics and end date for GSEPs. Accelerated cost recovery would be removed from the GSEP and cost recovery would be moved to base distribution rate proceedings. Need to protect consumers but can’t keep sinking money into something that won’t be of value to them.

JoAnn Bodemer, AG’s office – Would accelerated cost recovery be removed today, at the end of the investigation, or at some point in the future?

Priya Gandbhir, CLF – In general as soon as possible with the work that’s being done, the necessary maintenance that is being done, being included in rate proceedings. Avoid a situation where filings are overly forward looking and being more reasonable about what is actually necessary.

JoAnn Bodemer, AG’s office – Confused by the aspect of removing accelerated cost recovery. Don’t see the need for a separate investigation to establish an end date because if accelerated cost recovery is removed, the GSEPs can still continue as a planning tool.

Priya Gandbhir, CLF – It would be turning the GSEP from a cost recovery vehicle to a planning maintenance vehicle. Could change the name of the statute.

Audrey Schulman, HEET – Accelerated cost recovery is method for allowing gas companies to deal with issues in a way that's safe. Instead of slamming on the brakes to cost recovery, we incentivize a move away from gas and gradually to non-combusting infrastructure.

Jenifer Bosco, NCLC – Some of the discussion may reflect that we don't yet know what we would be proposing an end date for since we don't know what form this will take. Perhaps the proposal is more in the alternative. One scenario where cost recovery could just be ended very soon and planning aspects retained or if accelerated cost recovery was still included for a period of time, going back and looking at how dates line up with goals and whether they can be adjusted.

Robert Hevert, Unifil – Seemed to suggest that investments we are making are not all necessary. As a company, we don't make unnecessary investments so have to disagree with that premise. Accelerated cost recovery is absolutely necessary for companies to maintain financial integrity. Concern that if credit profile is lowered and rating agencies see the regulatory environment as unfriendly. Encourages people to take a longer and more thorough view of the issues as we go forward.

Pete Dion, Wakefield – Agrees with Bob. Saying we could end the GSEP in three years or five years assumes we've replaced all pipe by that time.

William Akley, Eversource – Agrees with Bob and Pete; there's still a lot of leak-prone infrastructure to get rid of.

Audrey Schulman, HEET – Because this is a public process, public needs to be able to trust decisions so this is point where we need data so we can look at safety, percentage of leak-prone infrastructure, financial liability. Also need to bring in other program, which is electric grid and how do we maintain that. We need to navigate towards a safer better system.

Amy Smith, National Grid – echo comments made by Bob, Pete, and Bill around prudence of investments. They are needed today and really important investments. Accelerated cost recovery, the proof is in the pudding. We've been able to increase our GSEP work by ten-fold since it's accelerated. Also agrees with Audrey about need to take look at the data. The gas companies had pulled together data early on and never presented it. Still have a lot of cast iron leak-prone pipe and the risk factors are still high. Once we look at the data, we could ask if and when we should have end dates.

John Buonopane, Steelworkers – Agree with most comments. Before group delves into making changes to GSEP and changing potential risk, a lot of the other things are secondary in my opinion. Once we look at the data, people might have different opinions. Things might take a lot longer than people project or will want. So really need to look at public safety issues.

Heather Takle, PowerOptions – Would help to know what is the definition of leak-prone, how much are we talking about that is safety related. So thinks data would help understand in thinking through proposals.

Alice Davey, DPU – Next presentation is from Sharon Weber, DEP, talking about replacing LAUF [lost and unaccounted for gas] with emissions and implications.

Sharon Weber, MassDEP – [showing redline of statute] Would add natural gas emissions and remove “has the potential to reduce lost and unaccounted for natural gas.”

[Showing Investigation by DPU, D.P.U. 19-44-A, Appendix C, LAUF Guidelines]. Appendix outlines what constitutes LAUF. Going through categories included in LAUF, e.g., “external damage,” “intentional venting and purging,” “verified theft,” “meter error,” “unknown,” and “adjustments.” Explaining what each category means and that none of these are part of the traditional GESP mission of trying to fix leak-prone pipe. LAUF measures gas putting into system and coming out of the system.

JoAnn Bodemer, AG’s office – Probably the least controversial discussion and thank you for educating us all.

Audrey Schulman, HEET – Absolutely fabulous. Thank you.

Audrey Horst, Senator Barrett’s office – One quick question; are they used currently in DEP’s inventory of natural gas leaks.

Sharon Weber, MassDEP – emissions from natural gas leaks are a part of our GHG emissions tracking but we don’t use all of the LAUF Guidelines categories. Basically, removing LAUF from the GSEP wouldn’t affect MassDEP’s ability to track natural gas emissions in the GHG inventory.

Audrey Horst, Senator Barrett’s office – So discontinuing LAUF reporting would not be a problem.

Sharon Weber, MassDEP – No one is suggesting that DPU discontinue its separate requirement that the LDCs report LAUF to DPU.

Alice Davey, DPU – Jerry and Jenifer will present on additions of low-income discount to GSEP statute and focus on EJ communities. Two separate proposals so however you want to present.

Jerrold Oppenheim, LEAN – [Showing powerpoint GSEP edits to protect low income]. We share the goal of electrification to address climate change and are open to other least-cost solutions, including geothermal but right now electrification seems the mostly likely alternative for the majority of residential customers. But the operating cost differential of moving from gas to electric heat can be substantial, e.g., it has been over 60% for a whole-house conversion. That doesn’t include the cost of equipment, which can be \$25,000. The MassSave program that LEAN implements offers some relief to low-income customers to the extent budget permits. Low-income customers are already struggling to pay existing energy bills not to mention food and housing, especially given recent inflation. Too often the choice is between heating and eating.

Since the beginning of COVID, average low-income arrears have jumped 63%, compared with 23% for non-low-income. The number of non-low-income customers in arrears has actually

fallen. Average arrears for 90+ days are up 39% percent for low-income, compared with non-low income at 3%. Fuel assistance and low-income rate discounts have gone a long way to addressing the heat or eat dilemma, but sharp bill increases present a new challenge.

So we propose two things:

1 - the incremental low-income customer heating cost impacts of each Plan be quantified, e.g., alternative fuel, equipment (about \$6 billion for low-income electrification), and the growth of per-customer fixed costs for those still on a gas system; and

2 - sources be found, quantified, and ultimately allocated to fill this gap without forcing households to choose between food and fuel. Sources might include unallocated federal funding in hand, available increased federal funding, reallocation of RGGI or other existing revenue streams, and the state budget. The Commonwealth has a fundamental obligation to assure adequate resources for basic needs such as heat.

Jenifer Bosco, NCLC – To take advantage of federal funding, Commonwealth would need to act quickly to support consumers who have fewer resources. Important to avoid stranding low-income customers. Looking at some of the funding sources Jerry mentioned is crucial. For EJ communities, suggest prioritizing low-income areas, schools, elder housing. So not necessarily residential but also those serving the EJ communities.

JoAnn Bodemer, AG's office – Agrees in principle that most vulnerable should be centered in the transition and need every dollar available and need to focus on EJ communities and when transitioned, it's affordable. In the concept of GSEP, it means it's a planning docket, it needs to plan and identify EJ areas ripe for electrification but if Amy comes in with alternatives analysis and says this EJ community has old leaking infrastructure, but to electrify it would be \$16 million and to replace pipes would be \$4 million. The dollar difference can't fall on ratepayers. Totally in support but need to ensure capitalized on additional pockets of money to make it happen.

Jerrold Oppenheim, LEAN – We're on the same page as AG. Need to identify other resources.

Audrey Schulman, HEET – Totally agree it's a huge concern. Potential of inflection point where electricity becomes less expensive and at that point, there will be a huge defection of customers. Don't want to reach that point and have only low-income customers left on the gas system. State should look at possibility of heat pump rate, where if customers move to it, they get a lower rate. If that happened, anyone could move to heat pumps and it would be a lower cost in terms of heating. Low-income customers could transition without increasing energy bills. State should get low-interest loan and loan to gas companies to pay for retrofits. Offered to do analysis with any gas company that wanted to.

Jerrold Oppenheim, LEAN – Any analysis Audrey could come up with would be helpful.

Kristin Jardin, Liberty – We have lots of residential customers; sounds like with these proposals, customers would need to own their homes but we have lots of renters so how would that work.

Jerrold Oppenheim, LEAN – Good point - tempting to focus on homeowners rather than folks that rent, some renters still pay their own heat. Cost of addressing multi-family central heat must also be considered.

Audrey Schulman, HEET – Loan program office would work for renters; if it could pay for customer retrofits, wouldn't matter who owned the building. Potentially \$16,000 per unit of savings, but that was interest rates a while ago and would like to do an analysis with a gas company to ensure it's done right.

Kristin Jardin, Liberty – Liberty has issues with even accessing renters' homes for other energy efficiency issues.

Priya Gandbhir, CLF – Echoing JoAnn's comments. Emphasize that our most vulnerable populations are served as we move forward with energy transition. Any costs that we are discussing or benefit analysis regarding use of fossil fuel and combustion fuels is incomplete unless it accounts for GHG and carbon and effects of climate change on public health and disproportionate impact climate change has on EJ communities. Regarding renters, landlords are squarely interested in having property and collecting rent and don't think that renters would be up for taking out loans or having financial stake in situation where they're not going to get any equity from it. So why would a renter be bothered with upgrading system.

Jerrold Oppenheim, LEAN – Low-income households can afford no additional debt. On renter v landlord, the programs we're talking about require that there is no cost to low-income customers, which also means no cost to building owner. Delicate balance and social problem.

Jenifer Bosco, NCLC – Not recommending financing whether low-income renter or owner; want to prioritize solutions that are not going to place more financial burden on people who are already struggling.

John Buonopane, Steelworkers – Gas companies used to be in home heating and repair business, maybe 25 years ago. Low-income and marginalized people are those who get ripped off when they need service because they can't get someone trustworthy to the house or they don't have the money. Even moderate-income people. Could be beyond scope of this group, but someone should take a hard look at how reliable heat pumps are, especially in large developments. Technology has evolved, but there have been issues in the past. Going to cost people a lot of money, in addition to installation cost, but also maintenance.

Robert Hevert, Unitil – Two points: (1) given territory we serve and number of EJ communities, we appreciate the thought you've put into the issue and support you in principle, and (2) Audrey, before I forget it, in terms of heat pump rate, we've been thinking about it as well and it creates some rate design concerns. As long as gas-fired generation is on the margins, and there are pipeline restraints, could see some issues in the efficacy of heat-pump rate.

Audrey Schulman, HEET – Going back to whether landlords would accept upgrades. If they were free and heat pump was free and renters then got air conditioning, which would be a great improvement to property and lower liability insurance, I wonder if there's many landlords who would say no. In terms of reliability, ground source heat pumps last 25 years. And can have a

back-up in a variety of ways so no single point failure. Think it's potentially a much more reliable and resilient system.

Alice Davey, DPU – Opening it up for suggestions on additional presentations or whole meetings around a specific topic and if you have a suggestion who would make the presentation. When I send out the next set of dates, will send a proposed agenda.

Priya Gandbhir, CLF – When we started the working group, had a presentation on what is GSEP. Would be good to have a check-in on what is GSEP and specifically how does it interplay with Chapter 21N. For example, do we have numbers on actual emissions and how relate to limits and sublimits and what is goal we need to achieve numerically as a Commonwealth.

Alice Davey, DPU – Do you suggest this information come from the DPU or gas companies?

Priya Gandbhir, CLF – Both

Amy Smith, National Grid – Proposes presentation where we present actual system data, the early presentations, how much pipe, definitions, emission reductions. Also presentation regarding gas safety, risk reduction, and role of GSEP in facilitating risk reduction. Perhaps would be good to hear from John Buonopone on gas safety issues and the DPU's Pipeline Safety Division.

JoAnn Bodemer, AG's office – Would like to hear from DPU Pipeline Safety Division to get perspective on the safety and certainly union's perspective as well. Welcomes taking a break to allow people to collect thoughts.

Audrey Schulman, HEET – Pulled data with Alice's help on small diameter cast iron. Would like to do that presentation at some point. Would like people to state what data they need and where it should come from. But first need to figure out how we find that pathway forward.

Sharon Weber, MassDEP – There was a question earlier regarding complying with state limits, MassDEP could do that presentation.

John Buonopane, Steelworkers – Agrees with Amy regarding gas safety issues; good idea and happy to do my part.

Jerrold Oppenheim, LEAN – Would like to know what's the actual risk that's left to extent can quantify it. A risk assessment based on data we have.

Audrey Horst, Senator Barrett's office – Would like to see information on cost recovery and how it's changed over time and how potentially that can interplay with GHG emissions.

Alice Davey, DPU – If you come up with any ideas after this meeting, please send it only to me for open meeting law, and I'll add it to the proposals.

Audrey Schulman, HEET – Maybe come up with way of doing the analysis like how to rate different items so can figure out the method.

Alice Davey, DPU – Are you talking about for the report or changes to make to the statute?

Audrey Schulman, HEET – For instance, we want low-income customers to not pay more, and we also want safety and don't want the electric grid to collapse so what is uncertainty of every future problem and how do we rate those items.

Alice Davey, DPU – Will send out new dates for everyone with plenty of notice to everyone and a proposed agenda. Please send any recommendations to me and I'll include in the proposed agenda.