

GSEP Working Group

Meeting Date: June 7, 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
- Jeff Hall, Assistant Director, Rates and Revenue Requirements Division, DPU
- Senator Michael Barrett, Senate Chair, Joint Committee on Telecommunications, Utilities, and Energy
- JoAnn Bodemer, Assistant Attorney General, Office of the Attorney General
- Sharon Weber, Deputy Division Director, Air & Climate Programs, Department of Environmental Protection
- Shevie Brown, Gas Policy Analyst, DOER
- Stephen Woerner, President, New England, National Grid
- 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
- Chris LeBlanc, Vice President, Gas Operations, Unutil
- R.J. Ritchie, Attorney, Liberty
- Kristin Jardin, Director, Rates and Regulatory Affairs, Liberty
- 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
- 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 and zoom protocols. Took roll call. Approving draft minutes from May 10 meeting. Will vote on May 26 minutes next meeting. Based on feedback, going to switch up our approach today. Want to open discussion on several more nuanced topics and get an idea on where group stands. At last meeting, there was concern regarding taking binding votes. Want to make clear that today’s votes are not final votes; only getting sense of people’s opinions so can come up with a draft report. Once we have an official vote, will record via minute taker. Also some members had concerns regarding the gas companies each getting a vote. DPU is proposing that we will need more than a simple majority for the official vote. If 16 members can’t agree to a concept, we will table that concept for now. For informal voting, will also use the 16 members although we realize that there are some people missing today.

Reached out to some of you and asked you to prepare presentations. After each presentation, will have brief discussion followed by informal vote. If 16 or more agree to a concept, then we’ll move forward with assumption that will be part of the final report.

Wanted to remind everyone of the Working Group Purpose - To develop recommendations for regulatory and legislative changes that may be necessary to align gas system enhancement plans developed pursuant to General Laws chapter 164, section 145, with the applicable statewide greenhouse gas emission limits and sublimits established pursuant to chapter 21N and the Commonwealth’s emission strategies.

Turning over to Attorney General’s office and NCLC to discuss removal of accelerated cost recovery from the statute.

JoAnn Bodemer, Attorney General’s Office – Gas system always needs to remain safe and reliable. But also focus was on upgrading because thought gas was going to be the mainstay for providing heat. But now gas systems should shrink to meet climate mandates. So the question is do we need to continue to incentivize gas companies. GSEP should no longer be thought of as vehicle for accelerated cost recovery, instead should be thought of as planning statute to require companies to provide plans to show GHG reductions. Recovery occurs in rate cases. Shift in focus should be to repair rather than replacement.

Jenifer Bosco, NCLC – NCLC agrees with AG’s rationale for removing accelerated cost recovery component, shift to repair rather than replacement, and shifting cost recovery back to general rate case proceedings. Would hopefully keep costs more affordable for all ratepayers. Our low-income programs would be more effective. For low-income and EJ communities, there’s a continuing need to prioritize repairs. Otherwise, these people could be the last left on the system, bearing the burden of an aging infrastructure system.

Sharon Weber, DEP – Trying to think how this proposal fits in with other pieces, like the 20-year leak-prone pipe deadline. Would we delete the entire GSEP statute or does it mean that only pieces of the law would be removed.

JoAnn Bodemer, Attorney General's Office – Timeline is really to 2050 and is governed by mandates that we have to reduce emissions. No longer governed by premise that we have to upgrade pipeline system since it's the backbone for how we're going to heat our homes. GSEP should be emissions reduction and needs to occur by 2050. Wouldn't necessarily agree with throwing out statute, but it needs to be adjusted so no longer need to accelerate replace and repair but instead needs to meet GHG reductions.

Sharon Weber, DEP – Without knowing what the implications will be, not clear what it means in a concrete sense of the law.

Jenifer Bosco, NCLC – There's a later discussion topic on specific date for ending GSEPs, and I take your point that we would need to know what we were ending. But could continue to discuss it there as well.

Steve Woerner, National Grid – Could be a case where both things could be true. May be possible this group agrees that we should look at non-pipe alternatives. Utilities propose a set of plans and the DPU should have discretion over how those funds are recovered. Any time a company is being asked to make an investment; how that cost is recovered is incredibly important in order to have the labor force we need.

William Akley, Eversource – With respect to repair versus replace, everyone would agree that public safety cannot be sacrificed. The GSEP was a matter of public safety and enabled companies to be incented and compensated. For repair v replace, notion that we could throttle back replacement and go to repair impacts public safety. Replacing cast iron is always justified because of the risk. Want to raise caution about acting rashly.

Robert Hevert, Unitil – Agrees with points Steve and Bill have made. First, like so many infrastructure replacement tracker programs, serves a purpose in maintaining financial integrity. If we don't get recovery, our financial integrity will deteriorate. We're entering into long-term contracts that will support the electrification that will become the backbone. Can't put downward pressure on that. At Unitil, we appreciate thoughts of customer affordability. I haven't heard anything about costs to customers in adopting electric heat. Need to also consider the effect of higher costs that could come along.

Heather Takle, PowerOptions – We're not saying no cost recovery; just cost recover versus accelerated cost recovery. Questions for JoAnn and Jenifer – #1 If we push out recovery down the road, leaves those who can least afford it stuck with the costs of the stranded assets. #2 – if we also get rid of the mechanism, isn't this also the mechanism we want to use for alternative non-gas solutions.

JoAnn Bodemer, Attorney General's Office – Valid points but if you think about whatever GSEP becomes as more of a planning vehicle and as of one piece of the puzzle of the Commonwealth's movement toward net zero and where we can use less expensive alternatives to keep the system safe and reliable for as long as we need it. As far as accelerated cost for alternative non-gas solutions, not sure GSEP is the best format for that acceleration. We want to see most vulnerable off the system first. Open to thinking about how we structure the costs, but on an accelerated basis, I think it is costing us more and will ultimately cost us more in the end.

Audrey Schulman, HEET – in terms of safety, believes one-half of mains have been replaced. So situation is much safer than it was a few years ago. And we had used winter patrols so wonder if that's something we can go back to.

Steve Woerner, National Grid – We never stopped winter patrols. We're not at the point yet where we would slow down replacement for safety purposes.

William Akley, Eversource – We've reduced inventory of legacy assets and made them safer and it's very pronounced. As we look towards future, still have 600 miles left. That worse condition of cast iron cracking under severe conditions. We also have not stopped winter surveys; still do patrols. As we get through this, could apply alternative methods.

Audrey Schulman, HEET – 12" and below are the ones at catastrophic risk, so could DPU look at how many of those are left. It's when everyone starts off unhappy and trades things in order to meet in the middle. So if gas companies really want accelerated cost recovery, is there something else they're willing to give up. One alternative is loan program office currently has money available, could state loan it to gas companies? They would use cost savings to do customer retrofits. Could then get accelerated cost recovery.

Senator Barrett – It's a complex topic and probably can't entirely resolve within this group. Going to need a larger universe of possibilities. Want to reassure the utilities that the healthiest utilities in the U.S. are those that sell kilowatt hours. Florida Power and Light is one of the healthiest utilities in the country. As we transition to relying on electricity for more and more, the economic prospects for Eversource, National Grid, and Unitil are very positive. Natural gas needs to become alternative and if we can figure out how to build the electric side of the business, we'll be able to retreat from the natural gas side.

Alice Davey, DPU – When we vote, my question will be do you support removing accelerated cost recovery from the GSEP statute. So that's going to include all accelerated cost recovery, including for non-gas alternatives.

JoAnn Bodemer, Attorney General's Office – Gas companies have responsibility to keep system safe and reliable. Friendly amendment to our proposal is right now it incentives replacement/repair of gas. Could keep accelerated cost recovery for clean energy, non-gas alternatives.

John Buonopane, United Steelworkers – Cost recovery and safety are all tied up. From personal experience, was in field over 30 years and before GSEP, not a lot of gas pipe was getting replaced. GSEP is about active not reactive. Diminishing risk-averted replacement, you're putting 2/3 of customers at risk because only 1/3 as far as I know have received new pipeline. So I would be against removal of the accelerated cost recovery. I think it will have a very negative impact on safety.

Alice Davey, DPU – I'm going to split into two votes. First will be if you support getting rid of accelerated cost recovery altogether and then second vote will be if you support altering or amending what is eligible for accelerated cost recovery.

Robert Hevert, Unitil – Florida Power and Light was given as an example, it is very successful and very highly rated. Also fair amount of gas-fired electric generation and operate in geographic area where heat pumps are efficient. But in Massachusetts, we're not comparable to them.

Audrey Schulman, HEET – I don't think voting is a good thing.

Alice Davey, DPU – My fear is that we can't agree on the little things but can't get sense of group on the big things. We just spent five meetings talking but I guess we could take a vote to see if we should take a vote. We've only been through one topic and it's been almost an hour.

Jerold Oppenheim, LEAN – I think we're moving to vote too soon.

JoAnn Bodemer, Attorney General's Office – We should give Alice a round of applause for the herculean task she is taking on and trying to get us through this.

Priya Gandbhir, CLF – Maybe we should run through all the presentations and then have a discussion.

Alice Davey, DPU – The next two topics go together so we'll have both of those presentations, followed by the discussion; we'll start with the definition of non-pipe alternative.

Audrey Schulman, HEET – [Showing PowerPoint presentation] The utility of a utility slide – emphasizing shared utilities and how they're not regulated. So when there's not enough room in the street for 50 providers, that's when we have a regulated utility.

As working group, we only address street structure. Slide showing GSEP filings, which have description, which is street address, the prioritization level, and the cost estimate. Efficiency will not be the goal here since talking about pipe on a specific street.

Alternatives are non-remitting renewable thermal energy, electric baseboards, air source heat pumps, ground source heat pumps, and networked geothermal. The first three are single building installations.

Outlining three proposed definitions: Gas utilities' proposed definition of non-pipe alternatives was "facilities other than new gas system pipe installed to replace or retire existing gas infrastructure." It was not very specific.

HEET's proposed definition is "street-segment non-emitting renewable thermal energy infrastructure, which consists of underground distribution pipelines that connect electric heat pumps with distributed thermal sources and thermal storage, to provide a customer or network of customers with heating or cooling." Could be thermal network from ice rink or could combine all the options.

A third non-pipe alternative definition was provided by DEP and EEA: "activities or investments that delay, reduce, or avoid the need to build or upgrade traditional natural gas infrastructure, including, but not limited to, non-emitting renewable thermal infrastructure project defined in section 147A of chapter 164."

Heather Takle, PowerOptions – We're suggesting two different definitions, utility scale and non-utility scale. So evaluating all of these alternatives as feasible alternatives.

Senator Barrett – Is there a more traditional definition of non-pipe alternative such as energy efficiency or demand management?

Audrey Schulman, HEET – HEET is all about efficiency but in terms of gas pipeline, no efficiency possible except for turning off the pipe, or replacing it, or repairing it.

Heather Takle, PowerOptions – It won't be a one for one replacement. It would need to be together with utility scale and non-utility scale.

JoAnn Bodemer, Attorney General's Office – Explain how a non-utility, non-pipes alternative would get involved in a GSEP.

Audrey Schulman, HEET – On that street, you would put concrete in the gas pipe, would stop it from being used. Would use the avoided costs of operations and maintenance in the future of that street segment and use it to install heat pumps of some kind that would be non-utility scale.

JoAnn Bodemer, Attorney General's Office – But would the utility install it?

Heather Takle, PowerOptions – Utility would need to evaluate alternatives because they're integrated systems.

Audrey Schulman, HEET – Money would go to MassSave and their certified installers would install.

Heather Takle, PowerOptions – Or there would be an RFP for non-pipes alternatives.

Alice Davey, DPU – Turning over to gas companies for their presentation on inclusion of non-pipe alternative evaluation.

Amy Smith, National Grid – [showing PowerPoint presentation] I was asked to pull together framework for how a non-gas pipe alternative would work. We don't think the GSEP statute should include a specific evaluation criteria, but should require that an evaluation be done. Using the gas companies' proposed definition of non-pipeline alternative (NPA).

Currently no framework for evaluation but limited evaluations have been done for growth and reliability. Existing non-wires alternative evaluation process and emerging NPA evaluation process for growth and reliability may provide some guidance but would need to be modified for GSEP NPA evaluation process to incorporate a safety and risk assessment. Will require significant work to develop and implement a framework to ensure right options selected for customers.

Work would need to be aligned with DIMP and other federal and state obligations. DPU would review as part of annual GSEP. Could include some combination of technical feasibility evaluation, cost estimates, EJ communication location, emissions impact, adherence to public policy goals, and customer impacts.

Five-phased project – (1) go/no-go screening process, (2) technical review, (3) economic/emissions/EJ communication location review, (4) customer acceptance review, and (5) final decision. Gas systems are highly connected and to take a segment out of service, need to ensure not affecting any individual customers. Would not want to have to install new pipeline to serve someone who is within that area so sometimes it's just not feasible. For customers, will take time and education. Need to look at project size suitability; some projects just aren't large enough.

JoAnn Bodemer, Attorney General's Office – Brings me back to the value of having system maps, even just to help isolate areas that might be ripe for non-pipe alternatives. Also for DPU and stakeholders to evaluate proposals.

Alice Davey, DPU – To clarify, would the system maps be as part of the GSEP filing.

JoAnn Bodemer, Attorney General's Office – If you think of GSEP as planning filing, to start with requirement that there are system maps would be the first step to enable long-term planning, so yes.

Heather Takle, PowerOptions – Very helpful. Maybe gap is we need to start with system-wide planning before we go to street-level planning. If you look at a segment that impacts customers downstream, maybe we should look further downstream so not just a small segment. On criteria, sees why needs to be some flexibility between companies given each company's size, but there should be an alignment criteria.

Jerold Oppenheim, LEAN – Agrees with need for legislature to lay out what the evaluation criteria should be. DPU should be required to consider equity and affordability so where do bill impacts fit within that criteria.

Amy Smith, National Grid – Reviewing the five-phased project slide and bill impact focus is on number (3), which is economic/emissions/on EJ community location.

Jerold Oppenheim, LEAN – Would be useful to have more relative bill impact analysis as part of review.

Amy Smith, National Grid – Agrees. It may also be electric and gas customers so need to look at both bills. And not just within one company, because companies' service territories overlap quite a bit. Would need to determine if there's enough electric infrastructure.

Jerold Oppenheim, LEAN – Agrees; not necessarily a given that the gas bill would go down and electric bill would go up.

Amy Smith, National Grid – If we get past the point where we agree that an NPA evaluation is appropriate.

Alice Davey, DPU – Sorry, realized I skipped Heather's question

Heather Takle, PowerOptions – For their views on integrated system-wide planning, is it possible?

Amy Smith, National Grid – Yes, will need to happen, not just with GSEPs. But will take time, coordination, and discussion. Not talking about one company making a decision in a vacuum, it would need to be many companies together since service territories overlap. But we've got needs today and obligations to customers to keep service safe and reliable and how do we reconcile need for longer-term planning and keeping customers served so they have heat on a cold day.

Heather Takle, PowerOptions – Yes, that answers her question.

Alice Davey, DPU – Will be going to Senator Barrett and then we'll adjourn.

Senator Barrett – Good presentation Amy. A lot of what we've been talking about really belong in regulations, not the statute. Giving an example. Some of the conversations we're having would paralyze retreat from natural gas. Wants to make changes at a high level.

Alice Davey, DPU – If you have specific questions regarding how much cast iron, the DPU has some of that information, which I think we presented at some point. It can also be found in the GSEP filings. So please reach out to me if you want specific figures and we can provide it.

Audrey Schulman, HEET – Wants numbers of remaining 12" mains.

Alice Davey, DPU – Send me email and I will provide it. Next meeting is June 21, at 1:30 pm. Thank you all.