

October 21, 2022

**VIA ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: Docket No. 22-01-NG - Request for Public Input on the Scope of the Investigation into the Future of the Regulated Gas Distribution Business in Rhode Island In Light of the Act on Climate**  
**Rhode Island Energy Comments**

Dear Ms. Massaro:

I am writing to submit Rhode Island Energy's<sup>1</sup> comments to the Public Utilities Commission ("Commission") regarding the Commission's Draft Staff Recommendation for Public Comment ("Draft Recommendation") on the scope of the Commission's investigation into the future of the regulated gas distribution business in Rhode Island ("Future of Gas") in response to the Commission's Notice to Seek Public Input on the Scope of the Docket (the "Notice") issued on August 31, 2022.<sup>2</sup>

**Overview**

As noted in the Draft Recommendation, Governor McKee signed into law the 2021 Act on Climate, thereby amending R.I. Gen. Laws § 42.6-2-1 *et seq.* (the "Act"). Of these amendments, Commission Staff highlighted four provisions for purposes of Staff's recommended scope. First, the Act updated the greenhouse gas ("GHG") emissions reductions requirements and timeline so that economy-wide reductions targets are accelerated to 45% by 2030, 80% by 2040 and "net zero" by 2050.<sup>3</sup> Second, the Act establishes that the economy-wide targets are mandatory upon "the state".<sup>4</sup> Third, the Act establishes enforcement provisions on the emissions reductions mandate.<sup>5</sup> Fourth, the Act updated the powers and duties of state agencies in exercising their existing authorities—the statute now obligates each agency, which includes the Commission, to address "the impacts on climate change... in the exercise of its existing authority."<sup>6</sup>

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<sup>1</sup> The Narragansett Electric Company d/b/a Rhode Island Energy ("Rhode Island Energy" or the "Company").

<sup>2</sup> On June 9, 2022, the Commission published a Notice of Commencement of Docket to investigate the future of the regulated gas distribution business in Rhode Island in light of the 2021 Act on Climate (the "Act"), R.I. Gen. Laws § 42.6-2-1 *et seq.* In that notice, the Commission described seeking public comment on specific questions before formally engaging with the utility and stakeholders.

<sup>3</sup> R.I. Gen. Laws §§ 42-6.2-2(a)(2)(i) and 42-6.2-9.

<sup>4</sup> R.I. Gen. Laws § 42-6.2-9.

<sup>5</sup> R.I. Gen. Laws § 42-6.2-10.

<sup>6</sup> R.I. Gen. Laws § 42-6.2-8.

The Future of Gas is an important step in establishing policies and objectives to support the Company's and the Commission's efforts to advance Rhode Island's climate mandates. The Draft Recommendation raises important questions regarding the Company's role in achieving net zero emissions in Rhode Island and includes purpose statements and questions that create a framework to balance the interests of customers, fuel suppliers, the Company, the Commission, and other stakeholders. Specifically, the Draft Recommendation seeks general comments on the scope of the proceeding as described in Section III of the document, which includes (1) a policy analysis that seeks to specify the emission requirements of the Act and their interplay with gas regulation, (2) a technical analysis by Rhode Island Energy that evaluates options for achieving the climate mandates of the Act, while raising important questions related to the safety, reliability, and affordability of the gas system, and (3) policy development that applies stakeholder goals and principles to an implementation framework for future actions, raising additional important questions related to the Commission's ratemaking principles and authority regarding investments, rates, and customer rights, obligations, and expectations.

Additionally, the Draft Recommendation seeks comments on the following specific questions:

1. Have staff identified appropriate purposes for the docket?
2. Is the proposed workplan described in Section III—including a Policy Analysis, Scoping of the Technical Analysis to Be Performed by RIE, and Policy Development— appropriate for meeting the purposes?
3. Do any issues or questions described in Section III need to be narrowed or broadened?
4. Do any issues or questions need to be eliminated from or added to Section III?

Rhode Island Energy is committed to assisting the State of Rhode Island in achieving the Act's statewide climate mandates, and supports the Commission's efforts in this endeavor, while ensuring a balanced and affordable transition for Rhode Island households and businesses, communities, and employees.

The Company's general comments are designed to support achievement of the statewide climate mandates in a manner that ensures continued safe, reliable, and affordable service to customers, while ensuring that the process used to address the state's climate goals is fair, equitable, and inclusive. In providing these general comments, the Company has included additional areas for consideration, as well as areas that require points of emphasis. The remainder of the Company's comments are organized to respond to Staff's specific questions listed above.

### **Comments Regarding the Scope of the Investigation**

Overall, Rhode Island Energy agrees the Draft Recommendation is an appropriate framework for the Future of Gas proceeding. The Draft Recommendation generally is consistent with similar investigations in other jurisdictions, customized to Rhode Island’s needs and the requirements of its laws, customers, and systems.<sup>7</sup>

Rhode Island Energy appreciates the comprehensive nature of the proceeding. The Act’s mandates require complex and, in some cases, competing ranges of solutions. The Company recommends that, in the Future of Gas docket, the Commission focus on supporting strategies that are actionable in the near-term, affordable to Rhode Island’s customers and the businesses that employ them, preserve optionality, ensure safe, reliable, and affordable energy delivery, and are tailored to Rhode Island’s needs. The Company recommends starting the investigation with a discussion of key principles prior to the policy and technical analysis. Doing so would facilitate a common understanding of stakeholder interests and objectives and provide a foundation for the policy and technical analyses.

Also, the scope of the investigation should serve to identify well-balanced and affordable policies that enable pathways to reduce emissions, while maintaining the Company’s ability to manage its operations in a manner that provides safe, reliable, and affordable service. While the investigation should consider the broad range of policies required to enable the Company to fulfill its requirements under the Act, it will be important to delineate which fall under the Commission’s existing regulatory authority, which are the domain of other state agencies, and which are new policies that require enabling legislation.

The insights from the 2020 Rhode Island Heating Sector Transformation Report<sup>8</sup> – specifically, the finding that there is insufficient certainty about the long-run costs and technological maturity of many decarbonized thermal solutions to definitively choose a single pathway – should serve as the overarching guiding principle throughout this proceeding. This insight recognizes the limitations, both technical and economic, of any single technology today. Rhode Island Energy urges the Commission not to foreclose any options because a mix of electrification, decarbonized fuels and other technologies are likely to be seen in the future.

Rhode Island Energy is planning for decarbonization over the next three decades. While that effort continues, the Company recognizes that near-term actions are needed to facilitate safe, reliable, and affordable energy today. Right now, supply constraints and the inability to invest in natural gas delivery infrastructure in the State and New England are resulting in upward pressure on regional natural gas costs. Local distribution companies (“LDCs”) are able to mitigate price effects to a degree with a portfolio of diverse natural gas supply basins, but not enough to offset

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<sup>7</sup> Rhode Island Energy undertook a review of proceedings in other states as context for this statement and similar statements that follow, including California Public Utilities Commission Rulemaking R.19-01-011 and Rulemaking R.20-01-007; New York Public Service Commission Case 20-G-0131 and Case 12-G-0297; Massachusetts Department of Public Utilities D.P.U. 20-80; Colorado Public Utilities Commission Proceeding No. 21R-0449G; and Washington Utilities and Transportation Commission Docket No. U-210553.

<sup>8</sup> <https://energy.ri.gov/HST>;

overall increases. Regional gas price volatility also impacts electricity costs given the New England power grid is largely dependent on natural gas-fired generation for meeting its electric demand. Near-term action is, therefore, needed to relieve upward pressure on energy costs. Customers need to have the confidence that they can heat their homes and businesses safely, reliably, and affordably. Meeting the State’s climate objectives will require balancing diverse near-term investments in, for example, energy efficiency, energy supply and delivery infrastructure, energy efficient gas equipment, and targeted electrification, along with medium- to longer-term advanced decarbonized energy solutions such as broader application of electrification and the use of renewable natural gas (e.g., green hydrogen and biogas).

For these reasons, the Company offers the following key principles that it considers critical for developing a common understanding among stakeholders of the broad interests and objectives, and foundational to the policy and technical analyses:

➤ Near-Term Action

Actionable and affordable strategies are needed in the near-term to advance achievement of Rhode Island’s climate mandates. These strategies could expand on existing Rhode Island programs and other state-sponsored programs and initiatives while leveraging experiences of decarbonization efforts throughout the industry. Near-term actions may include energy-efficiency, weatherization, demand response, heat pump subsidies and an allowance for customer fuel-switching from oil and propane to heat pumps and/or natural gas, renewable gas, research and development of advanced technologies via demonstration projects (such as hydrogen and network geothermal), strategic electrification (particularly in new construction), and accelerated depreciation for gas infrastructure (e.g., leak-prone pipe replacement) – along with the regulatory (including updated building codes) and legislative support to enable those strategies.

Given the uncertainties related to the pace of technology development and adoption of technology by customers, maintaining flexibility and maximizing optionality will be critical. A diverse set of near-term strategies would position the Company and the State to be able to transition effectively as policy, market, and technological circumstances change over the medium- to long-term. In addition, the ability to maintain flexibility and maximize optionality should continue to provide customers with the ability to choose the best option(s) for their individual circumstances.

➤ Affordability

Strategies are needed to ensure customers can meet their energy needs with solutions that are practical, affordable, and customized for their needs and situation. The transition to achieving the Act’s mandates will require customer investments and utilization of high efficiency and alternative heating technologies, such as heat pumps. In some cases, this may result in higher energy bills for customers as compared to traditional heating costs. The burden of cost increases and the allocation of those costs may also be a consideration in upfront investing, such as the investment and cost drivers in rental properties. Supporting affordability through near-

term energy efficiency investments that help all residents and businesses manage energy use and related costs should be a foundational component of all decarbonization pathways. The Future of Gas docket should also evaluate initiatives to address affordability concerns across a wide spectrum of income levels, including incentives and rebates, financing sources, rate structures, and funding sources beyond the utility bill, such as state and federal funding.

➤ Stakeholder Inclusivity

Achievement of the Act’s mandates must start with an inclusive engagement process that identifies and evaluates customer and stakeholder viewpoints. The Company has an obligation to serve all its existing customers. These customers include residential customers, low-income and disadvantaged communities, large commercial and industrial businesses, and essential non-profit institutions such as hospitals, schools, and State facilities. Fostering an inclusive and accessible environment for customer and stakeholder discussions will ensure equitable participation and enable the procedural process to arrive at well-balanced and reasoned principles and policy decisions based upon input from the broad spectrum of customers that presently rely upon the delivery of natural gas. This will require engaging historically marginalized communities and consideration of environmental justice issues. It will also be critical to ensure that building, labor, and trade associations, developers, employers, chambers of commerce, and other economic development stakeholder views are fully represented in the process.

➤ Customer Facilitation

Customers will ultimately facilitate the pace of the economy-wide transition to decarbonization. Thus, customer education, decision-making, and acceptance of requirements and costs to support climate mandates are important elements for this investigation since many aspects of decarbonization will hinge on customer decisions. Key factors related to customer decisions include (1) customer-specific economics and availability of fuel offerings, including installation, operating and maintenance costs and requirements choice; (2) communication, outreach, and transparency; and (3) customer incentives to facilitate technology adoption to support achievement of climate mandates.

➤ Safe and Reliable Service

Strategies need to reflect the Company’s continuing obligation to provide safe, reliable, and affordable service to all its existing customers. Accordingly, to provide natural gas service for the foreseeable future, Rhode Island Energy will continue to: (1) make system reliability and safety investments; (2) maintain an experienced and qualified workforce; and (3) contract for reliable and cost-effective gas supplies.

**Comments on Staff’s Questions**

The remainder of the Company’s comments are organized to respond to Staff’s specific questions set forth in Section IV of the Draft Recommendation.

1. Have staff identified appropriate purposes for the docket?

The Company offers the following comments regarding Commission Staff’s draft purpose statements:

- As stated in the Company’s general comments regarding the scope of the inquiry into the Future of Gas, above, the Company suggests discussing key principles as a first step – that is, prior to any policy or technical analyses – to help shape the evaluation and outcomes of the investigation. This approach will facilitate the engagement process through an understanding of stakeholder perspectives, interests, and objectives. In addition, these discussions will provide a foundation and framework for the ensuing technical and policy analysis as well as policy development. The key principles Rhode Island Energy proposes to be discussed during this initial, additional step to the Draft Recommendation are discussed in detail in the general comments above and proposed below as additional topics to be added to Section III of the proposed workplan.
2. Is the proposed workplan described in Section III—including a Policy Analysis, Scoping of the Technical Analysis to Be Performed by RIE, and Policy Development— appropriate for meeting the purposes?

As stated above, Rhode Island Energy agrees the Draft Recommendation is generally an appropriate framework for the Future of Gas proceeding, customized to the needs and requirements of Rhode Island’s laws, customers, and energy systems. The Company offers the following comments and suggested amendments to enhance (by both expanding and narrowing) Staff’s proposed workplan described in Section III: (i) policy analysis; (ii) technical analysis to be performed by Rhode Island Energy; and (iii) policy development.

(i) Comments on Policy Analysis

The Company offers the following comments on Commission Staff’s draft policy analysis questions.

- The Company suggests that questions related to the definition of net-zero emissions and the relevance of cumulative emissions are technical requirements subject to administrative interpretation. These questions are best answered by state agencies outside of the proceeding, such as through EC4’s current undertaking regarding the 2022 update to the 2016 Greenhouse Gas Reduction Plan. The Company recommends the appropriate state agency be identified to assess compliance with the Act.

(ii) Comments on Technical Analysis

The Company offers the following comments regarding Commission Staff’s draft technical analysis questions.

- The Company suggests the technical analysis identify how the unique features of Rhode Island, including the state’s building stock, customer characteristics and commercial/industrial businesses affect options to decarbonize Rhode Island Energy’s gas system and end-uses. The analysis should also evaluate Rhode Island Energy’s energy as a whole – that is, the interdependencies between the electric and gas networks and the implications decarbonizing the gas system has on electric system capacity and infrastructure needs.

(iii) Comments on Policy Development

The Company offers the following comments regarding Commission Staff’s draft policy development questions.

- As introduced above, the Company suggests undertaking an initial discussion of key goals and principles prior to the three workstreams identified in Section III of the workplan in order to create a common understanding among stakeholders and to provide a foundation for the goals of the gas system and ensuing analyses. Specifically, Rhode Island Energy suggests addressing questions numbered 1 through 5 from the Policy Development workstream related to gas regulation to the initial “goals and principles” discussion the Company is proposing. The Company proposes the discussion also include a focus on near-term, actionable insights, as well as on customer affordability, inclusivity, and safe and reliable service.

3. Do any issues or questions described in Section III need to be narrowed or broadened?

The Company offers the following comments on whether issues or questions described in Section III need to be narrowed or broadened.

- The policy analysis questions raise technical requirements of the Act, specifically regarding emissions accounting and GHG inventory representation. This includes how to account for emissions reductions that result in indirect emissions increase in other states or sectors. The Company recommends narrowing these questions, such that issues regarding greenhouse gas emissions measurement and accounting methods are referred to either the appropriate authority for determination or state agency for guidance. This approach is consistent with the approach taken in similar proceedings.<sup>9</sup>

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<sup>9</sup> See fn.7 for a list of similar decarbonization proceedings.

4. Do any issues or questions need to be eliminated from or added to Section III?

The Company offers the following comments on whether issues or questions described in Section III need to be added to or eliminated from the scope.

- As discussed in the Company’s general comments, the Company recommends adding a discussion – prior to the commencement of any workstream in Section III of the draft workplan – of the key principles, discussed above, as part of the scope to facilitate the engagement process through an understanding of the gas system and gas regulation as well as stakeholder perspectives, interests, and objectives. This includes addressing questions numbered 1 through 5 from the Policy Development workstream related to gas regulation in Section III of the draft workplan to the initial “goals and principles” discussion the Company is proposing.
- The Company suggests the following questions to the Technical Analysis workstream in addition to those set out by Commission Staff. These questions are intended to facilitate a common level of understanding on the scope, methodology and outputs of the technical analysis.
  - What timeframe should the technical analysis consider?
  - What are evaluation criteria through which decarbonization scenarios need to be assessed?
  - Which costs should be quantified and what are the appropriate metrics to use?
  - Which benefits should be quantified and what are the appropriate metrics to use?
  - What should be the factual or evidentiary basis for input assumptions proposed for use in the study?
  - What are the shared foundational assumptions and criteria across all scenarios that should be addressed in the near-term?
- Consistent with similar proceedings, the Company recommends more explicit attention to the impact on low-income and disadvantage communities.<sup>10</sup> As an initial matter, it would be helpful to establish criteria defining low-income and disadvantaged communities and how to ensure an equitable transition.
- The Company recommends discussion of existing and new natural gas service for customers. This topic has been raised in similar proceedings, including California<sup>11</sup> and New York.<sup>12</sup>

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<sup>10</sup> *Id.*

<sup>11</sup> CPUC Rulemaking 19-01-011, Order Instituting Rulemaking Regarding Building Decarbonization, January 31, 2019

<sup>12</sup> NY PSC Case 20-G-0131 and Case 12-G-0297, Order Adopting Gas System Planning Process, May 12, 2022

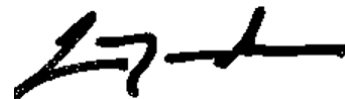


- The Company recommends discussion of workforce implications. The Future of Gas investigation likely will have implications on the Company’s employees as well as the broader plumbing, heating contractor and electric utility industry. This topic related to workforce implications has been raised in similar proceedings, including California<sup>13</sup> and Massachusetts.<sup>14</sup>
- The Company recommends discussion of financial protections for customers to (1) facilitate the transition to achieve the climate mandates and (2) address concerns regarding affordability.

### **Conclusion**

Rhode Island Energy appreciates the opportunity to provide these comments in the Commission’s Future of Gas docket. The Act’s climate mandates require complex and, in some cases, competing ranges of solutions. Thus, while the Company appreciates the comprehensive nature of the investigation, the Company also recommends the investigation should lead to strategies that are actionable in the near-term, affordable to Rhode Island’s households, businesses, and essential institutions, ensure safe, reliable, and cost-effective energy delivery, and are tailored to Rhode Island’s needs. Rhode Island Energy looks forward to working with stakeholders on this important initiative.

Sincerely,



Lee Gresham

cc: John Bell, Division  
Leo Wold, Esq.

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<sup>13</sup> CPUC Rulemaking 20-01-007, Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning, January 05, 2022

<sup>14</sup> MA D.P.U. 20-80, Investigation by the Department of Public Utilities on its own Motion into the role of gas local distribution companies as the Commonwealth achieves its target 2050 climate goals, October 29, 2020