

MEMORANDUM

To: Commissioners

From: Staff

Date: 11/23/2022

Re: Docket No. 22-01-NG Future of Gas Staff Recommendation on Scope

I. Background and purpose of this document

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

In order to pose questions and invite feedback from the public, PUC Staff (Staff) published a Draft Staff Recommendation for Public Comment (Scoping Notice) on August 31, 2022. The Scoping Notice explained to the public Staff's intention to make a recommendation on the scope of the docket to the PUC for adoption. The Scoping notice also included, for the public's information, background on the proceeding and a discussion of Staff's reasoning in developing a scope. Finally, Section III of the Scoping Notice included Staff's initial recommendation for a docket scope. The recommendation included purposes for the proceeding, a three-phase workplan, and specific issues (in the form of questions) to address during each phase of the workplan. Staff asked the public to comment on the following questions regarding Section III of the Scoping Notice:

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?

The Scoping Notice initially requested comments by October 7, 2022, and the deadline was later extended to October 21, 2022. Staff explained in the Scoping Notice that Staff would review all comments, consider necessary revisions to the initial scope recommendation, and present a final recommendation along with all public comments to the PUC for consideration. The PUC received twenty-nine written comments, all of which have been attached to this memo. Staff has considered the comments and provide the following review and revised recommendation for the docket scope.

II. Review of Comments

A. Comments regarding the purposes of the docket

Few parties provided specific amendments to the purposes of the docket, but many provided comments that indirectly addressed the purposes. Staff has considered both in developing a final recommendation.

One common theme regarding the purpose of the docket are comments that recommend specific outcomes for the future state of the gas distribution system, such as rapidly abandoning the gas

distribution system. While these options will be explored in the proceeding, Staff does not recommend eliminating any potential options for meeting the requirements of the Act in this scoping stage of the proceeding.

While Staff believes it is appropriate to begin with an open set of solutions for reducing gas system emissions consistent with the Act, in considering stakeholders' outcome-specific comments, Staff also found the initial draft purposes lacked direction on attempting to identify critical weaknesses in some of the potential solutions. Furthermore, even if multiple pathways for emissions reduction remain possible, the docket should attempt to identify critical tipping points at which more definitive decisions must be made to avoid failing to meet the Act's requirements or jeopardizing key policy priorities like equity, reliability, economic sustainability, and energy burden, among others. These purposes will support not only the PUC's decisions, they also will be valuable to the Executive Climate Change Coordinating Council (EC4).

Other commenters recommended the purposes include rendering orders for implementation of new regulations or programs. In considering these recommendations, Staff balanced urgency to address the requirements of the Act with a need for equitable participation in a docket of such policy significance. Staff therefore reaffirms the PUC's initial intent that this initial investigation remain non-decisional regarding implementation of new programs and regulations in order to allow more accessible participation by our community. Staff believes regulatory changes and programmatic decisions should be considered in follow-up proceedings, preferably in a centralized and transparent manner.

In consideration of these comments, Staff has recommended edits to the purposes that appeared in the Scoping Notice.

B. Comments regarding the work plan

Commenters were generally supportive of the workplan, but some clarifications are necessary to improve expectations for the process. First, Staff notes the PUC's intention to hire a consultant with subject matters expertise and stakeholder facilitation experience. The final organization of the workplan will not be possible without engaging with that consultant first, and comments expressing opinions on the organization of the docket will be reexamined when Staff engages with the future consultant. To address some of the concerns that the workplan was not in the most useful order, Staff has amended the issues each phase will address, and stresses that while the basic elements of the workplan are firm, the exact timing of each element is still subject to change.

Additionally, in response to comments regarding the Technical Analysis and the need for a robust and transparent analysis, staff has amended the description of this phase of the docket. In particular, the Attorney General and the Office of Energy Resources (OER), among other commenters, recommended clarification on how stakeholders could affect the Technical Analysis and offer alternative analyses.

C. Comments on narrowing or eliminating the issues to consider

Few commenters specifically recommended narrowing the scope, with some notable exceptions. One theme staff identified was a recommendation to limit the Policy Analysis such that it does not duplicate the work of the EC4. Staff clarifies that the work described in the Policy Analysis is intended to explore what is known from the EC4's work and what remains an open question; the

Policy Analysis is not designed for the PUC to step in the shoes of the EC4. Additionally, Staff designed the Policy Analysis to provide stakeholders a period of information review to benefit stakeholders that have not previously engaged with the EC4. Thus, these comments did not result in a narrowing of the scope, but rather a clarification.

Another theme arose out of recommendations to eliminate questions throughout the three phases of the workplan that commenters felt were superfluous, rhetorical, self-evident, etc. In reviewing these comments, Staff considered that the commenters and Staff benefit from expertise in regulation, economics, and law and have access to resources that many other potential participants do not have. Staff believes accelerating past these fundamental questions would likely leave these stakeholders disadvantaged throughout this process and future action on these issues at the PUC. Staff therefore does not adopt these recommended amendments.

A final theme staff identified were comments recommending narrowing the range of possible ways to reduce emissions from the gas system. For the reason described above, Staff recommends including that narrowing of options as part of this proceeding and future proceedings.

D. Comments on expanding the issues to consider

Staff believes it identified many comments that directly or indirectly recommended expansion of the docket scope. For example, some commenters recommended inclusion of equity in the process, consideration of electrification, impacts on individual rate classes, inclusion of health impacts in benefit-cost analyses, etc. In Staff's consideration of these comments, few, if any, fell outside the scope as proposed. Staff hesitates to specifically add these recommendations, as it may signal a specificity in the scope that cannot exist at this point. Stakeholders with such comments should expect the issues they raised to be considered during the proceeding.

One exception refers to recommendations to examine how emissions from the gas system are measured and how to improve measurements, and Staff has made edits to explicitly include this issue in the Policy Development phase.

Another exception refers to recommendations to expand the workplan to order changes to regulation and implement programmatic changes. For the reasons described above, Staff recommends addressing such actions in future proceedings.

Finally, Staff interpreted some comments as stressing an expanded focus on the electric sector. Staff affirms that, to the extent necessary and possible, this proceeding will examine effects on other sectors and benefits gained by co-optimization of actions across these sectors. Staff believes these ideas are already included in the current set of issues and thus Staff did not deem it necessary to amend the scope to further incorporate these ideas.

III. Conclusion

Staff has attached a revision to Section III of the Scoping Notice with substantive changes that were made in response to public comment printed in red font and Staff's explanatory comments in the right margin. The revision is also recast from a Staff recommendation to a final scope for issuance by the PUC; these non-substantive changes are not tracked in the document. Links to public comments and a final "clean" copy of the scope are also attached.

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: INVESTIGATION INTO THE FUTURE OF :
THE REGULATED GAS DISTRIBUTION BUSINESS IN : DOCKET NO. 22-01-NG
RHODE ISLAND IN LIGHT OF THE ACT ON CLIMATE :

Proceeding Scope (redlined copy)

A. Purpose

To provide a way to determine if new issues identified during the proceeding should be addressed in a different manner or included in the scope of this proceeding, the PUC adopts the following purpose(s):

1. Explore the requirements of the Act that are relevant to the PUC’s jurisdiction;
2. Identify and analyze the technical and regulatory approaches that enable meeting the goals for the gas system, including enabling the State to meet the emissions reduction mandates in the Act;
3. Identify goals for the gas system that are consistent with the law, including, but not limited to, meeting the emissions requirements of the Act and the requirements of Title 39;
4. To the extent possible, identifying critical weaknesses in options for meeting the requirements of the Act;
5. To the extent possible, identify critical points at which definitive decisions may be needed to preserve key policy priorities such as (but not limited to) reliability, cost, equity, energy burden, and economic sustainability;
6. Create a framework and, to the extent possible, a timeline for equitable implementation of necessary or beneficial actions under the PUC’s jurisdiction over the gas system specifically and/or public utilities generally; and
7. Identify necessary or beneficial actions that are beyond the PUC’s jurisdiction over the gas system specifically and/or public utilities generally.

In meeting these purposes, the PUC will have clear recommendations from stakeholders on the future of the gas system in light of the Act. The PUC will, at that point, begin one or more processes to implement the recommendations the PUC finds appropriate. To the extent possible, these future processes should be centralized for the benefit of public participation and transparency.

B. Policy Analysis

The scope will begin with an initial policy analysis with stakeholders. Rather than arrive at fully formed create policy, the policy analysis phase will identify a range of potential answers to first-order questions about the interplay between the Act and gas regulation (or utilities generally). The list of relevant questions, and range of possible answers the stakeholder group enumerates, will

Commented [BT(1)]: Clarifies that it is the intent is to create goals consistent with meeting the requirements of the Act.

Commented [BT(2)]: Clarifies that, if possible, dispositive weaknesses should be identified.

Commented [BT(3)]: Clarifies the need to explore tipping points and to provide input to the EC4

Commented [BT(4)]: Clarifies that although a timeline might not emerge from this work, it should be a goal of the process.

Commented [BT(5)]: Recognizes the PUC’s practice of considering equity in decision-making.

Commented [BT(6)]: Clarifies the next steps in advancing goals for the gas system are just as significant to stakeholders as the current work.

Commented [BT(7)]: Clarifies that the PUC will not be determining issues outside its jurisdiction, but will instead determine what range of possibilities need to be explored and making sure stakeholders understand

allow for a public vetting of what needs to be tested during the Technical Analysis and advanced by the Policy Development phases described below.

The PUC incorporates the following questions into the scope of the Policy Analysis phase:

1. What are the technical requirements of the Act?
 - a) How are emissions accounted for by the EC4 in each sector and for the state?
 - b) What emissions and actions are represented in the 1990 GHG inventory and the current GHG inventory?
2. What are the emissions policy requirements of the Act?
 - a) What is the definition and effect of “net zero” emissions?
 - b) Which point-of-view of emissions reduction does the Act and EC4 take—e.g., societal emissions, state emissions, and/or consumer emissions?
 - c) How will decreases in Rhode Island’s emissions that cause increases in other states’ emissions be treated in emissions accounting?
 - d) How will decreases in gas-system emissions that cause increase in emissions from other sectors be treated?
 - e) Do the cumulative emissions between now and 2050 matter under the Act?
 - f) What timespans constitute short- and long-term greenhouse gas emissions reduction strategies, with particular focus on the gas system?
 - g) What policies, such as cost, equity, reliability, etc. does the Act identify in directing the EC4 and agencies to develop GHG reduction plans?
3. **What statutory, regulatory, or stakeholder requirements and/or preferences exist that represent constraints on possible pathways for meeting the requirements of the Act?**

C. *Scoping of the Technical Analysis* ~~to Be Performed by RIE~~

As required in the Settlement Agreement, RIE committed to retain a consultant to investigate and prepare an “Act on Climate Report.” This would inevitably have required a comprehensive Technical Analysis. A Technical Analysis is necessary to create information useful to understanding what actions and options for emissions reductions are effective and to identify the potential benefits and costs of these actions and options. The analysis should also, to the extent possible, examine different mechanisms for implementation of solutions and cost recovery, as these options will have distributional impacts as well as the potential for negative and positive effects on achievement.

Given the opening of this docket, and consistent with the Settlement Agreement, this Technical Analysis will now be scoped through a PUC-led stakeholder process. The final product of the Technical Analysis Scoping phase is the identification of the final scenarios, including alternative testing and sensitivity ranges, that should be included **in RIE’s the scope for the Technical Analysis to be performed by RIE’s third-party consultant.** The PUC will subsequently create a technical working group within the larger stakeholder group that is convened by RIE with the purpose of managing delivery of a report on the Technical Analysis to the larger stakeholder group. **The PUC also clarifies that any party may develop and provide technical input for RIE’s third-party**

Commented [BT(8): This element was added to address stakeholders’ comments it was not clear whether some exploration of goals and preferences for meeting the Act’s requirement would occur before scoping the Technical Analysis.

Commented [BT(9): Addressing workplan comments of the Attorney General

consultant to consider and may also perform and present their own technical analyses to the stakeholder group.

The PUC incorporates the following questions to consider into the Technical Analysis Scoping phase:

1. What infrastructure and non-infrastructure options exist for reducing emissions from the gas system?
 - a) Which have been explored in previous and current studies and which have not?
 - b) What updates to the examinations in previous studies, including key assumptions, should be updated and/or considered for sensitivity testing?
2. What scenarios for (all) sector-level emissions will allow the state to meet the emissions reduction mandates of the Act?
 - a) What is the appropriate baseline for the economy and for the gas system?
 - b) In terms of different timing and extent of emissions reductions, what is the implication of these scenarios on the gas system?
 - c) Does the feasibility of options for reducing gas system emissions change between these differences in timing and extent in these scenarios?
3. What outputs of the Technical Analysis will inform the Policy Development phase?
 - a) What effects of decarbonization should be tracked between scenarios? For example, benefits, costs, rate impacts, inclusion and participation, reliability factors, impacts on other sectors, etc.
 - (1) What mechanisms of cost recovery should be examined?
 - b) Which effects can be directly tracked, and which must be indirectly inferred by tracking related factors or proxies?
 - c) From which points-of-view do we wish to track the effects of decarbonization? For example, the point-of view of society, the state, the EC4, residents, utility ratepayers, gas system ratepayers, etc.
 - d) How much detail about how changes in the gas system will impact other sectors is necessary to model in order to answer key questions?
4. What assumptions and inputs are critical to the outputs of the Technical Analysis?
 - a) Does current knowledge about these assumptions warrant testing alternative assumptions?
 - b) Does current knowledge about these inputs warrant performing sensitivity analyses?
5. What statutory, regulatory, or stakeholder requirements and/or preferences exist that represent constraints on possible pathways for reducing gas system emissions consistent with the Act.
6. What final scenarios, including alternative testing and sensitivity ranges, should be included in RIE's scope for the Technical Analysis the company will perform?

Commented [BT(10): Addressing workplan comments of the Attorney Genera, OER, I and other commenters

Commented [BT(11): This element was added to address stakeholders' comments it was not clear whether some exploration of goals and preferences for reducing emissions from the gas system would occur in the scoping the Technical Analysis.

D. Policy Development

After scoping the Technical Analysis, consistent with the purposes of the docket, the Policy Development Phase will begin with a review of gas regulation, proceed to identify stakeholders' goals and principles, apply stakeholders' goals and principles to the results of the Technical Analysis, and conclude with stakeholders' recommendations to create a framework for implementation.

The PUC incorporates into the scope the following questions to review of gas regulation:

1. What are the goals of the gas system absent the Act and how were they developed?
2. What is the current business-as-usual status of the gas system?
 - a) What are the basic statistics of customers and usage relied on in regulation, planning, and operation of the system?
 - b) What are the characteristics of customers that define rate classes?
3. What processes affect procurement of gas?
 - a) How is gas procured, delivered, and from whom?
 - b) Who has profit motive in the sale of the gas commodity?
 - c) How is gas usage forecasted and gas procurement planned?
 - d) What requirements or norms exist around reliability of gas supply and who bears the responsibility of reliability?
4. What processes affect investment in the gas system and spending on operation and maintenance?
 - a) How is spending for safety and reliability planned?
 - b) How is spending for growth planned?
 - c) What profit motives drive investments in the system?
 - d) How is the gas system paid for?
 - (1) How is the revenue requirement set?
 - (2) How are costs allocated?
 - (3) How are rates set?
 - e) What are the economic risks associated with investment in the gas system and who bears those risks?
5. What principles and policy does the PUC (and regulatory commissions generally) use in making decisions on procuring gas and spending on the system (including investment and O&M).
 - a) What are the requirements of gas service in Rhode Island?
 - b) What are the rights and obligations of RIE in providing gas service?
 - c) How does least-cost procurement affect gas regulation?
 - d) How does the leak-prone pipe replacement program affect future value propositions?

- e) How do revenue decoupling and other reconciliations affect RIE’s business model?
- f) What are customers’ rights, obligations, and expectations?

The PUC incorporates into the scope the following questions to identify stakeholders’ goals and principles:

- 6. What values are not considered in the current regulation of RIE’s gas business that should be considered in light of the Act?
- 7. What goals for the gas system are consistent with the law, including, but not limited to the Act and Title 39?
- 8. What ratemaking principles support or hinder achieving goals?
- 9. What existing mechanisms for gas system spending (including investment, O&M, and commodity procurement) are consistent or inconsistent with the purposes of the Act, or present a barrier to meeting the goals of the Act?
- 10. What mechanisms could be created that would enable decreased emissions from the gas system that are consistent with the Act?
 - a) What programs can the PUC create to meet the emissions targets?
 - b) What is RIE’s duty to serve?
 - (1) Can the PUC implement a moratorium on new gas connections?
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 - (3) Can the PUC implement a cap on gas emissions?
 - c) Can the PUC approve alternative technologies, commodities, or business practices and include cost-recovery in regulated rates?
 - d) Can the PUC authorize RIE to construct, own, and operate district geothermal systems as an alternative to natural gas infrastructure as a distribution service to customers, regulated by the PUC?
 - e) Can the PUC employ alternative ratemaking to align RIE’s business model with the Act?
 - f) Can the PUC alter other underlying revenue requirement factors, like capital structure and depreciation schedules and rules, in light of the Act?
 - g) Can the PUC create a gas abandonment program?
 - h) **How are gas system emissions currently measured and what improvements can be implemented?**
- 11. What principles can be used to support decision-making that is consistent with the Act and other existing laws?

Commented [BT(12): At the recommendation of some commenters, the issues should be expanded to include actual measurement of gas system emissions.

The PUC incorporates into the scope the following questions to apply stakeholders’ goals and principles to the Technical Analysis.

- 12. Which scenarios allow for emissions reductions consistent with the suggested goals for the gas system?

13. What are the weaknesses and strengths of the different scenarios?

- a) Do any of the results of the Technical Analysis foreclose an option or scenario?
- b) What are the quantifiable weaknesses and strengths, such as cost and effectiveness?
- c) What are hard-to-quantify weaknesses and strengths, such as equity, inclusion, fairness, and socio-economic effect?
 - (1) Can weaknesses be mitigated (or strengths enhanced) through program design, cost allocation, or rate design?
- d) Which results are reliable, and which should be viewed with less confidence?

The PUC incorporates into the scope the following questions to identify stakeholders' recommendations for an implementation framework:

- 14. What updates to regulatory policy, rate design, and cost-recovery mechanisms are required to support stakeholders' preferences?
- 15. What changes to support stakeholders' preferences are not within the PUC's jurisdiction?
- 16. What updates to statute are required to support stakeholders' preferences?

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 - d) Can the PUC authorize RIE to construct, own, and operate district geothermal systems as an alternative to natural gas infrastructure as a distribution service to customers, regulated by the PUC?
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Public Comments

Commentor	Date	Web Address
John Monse	9/7/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/Monse_9-7-22.pdf
RI Lumber and Building Materials Dealers Association	9/14/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/RILBMDAComments_9-14-22.pdf
Greg Gerritt (1)	9/19/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/Gerritt_9-19-22.pdf
Norther RI Chamber of Commerce	9/26/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/NRICC_9-26-22.pdf
Climate Action RI	10/3/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/CARI_10-3-22.pdf
Greig Gerritt (2)	10/5/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/Gerritt_10-5-22.pdf
David Ciochetto	10/7/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1007_Ciochetto.pdf
Vergent Power Solutions	10/12/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-11/1012_VergentPowerSystems.pdf
RI Office of Energy Resources	10/13/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1013_OER_0.pdf
Seth Handy	10/14/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1014_Handy.pdf
Paul Marshall	10/17/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1017_Marshall.pdf
Gerald Ferris	10/19/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1019_Ferris.pdf
Hans Scholl	10/19/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1019_Scholl.pdf
Beyond Gas RI	10/20/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1020_BEYONDGASRI.pdf
Ray Cheney	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1020_BEYONDGASRI.pdf
Conservation Law Foundation	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_CLF.pdf
RI Division of Public Utilities and Carriers	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_DPUC.pdf
Susannah Holloway	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_Holloway.pdf
Stephen MacDonald	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_MacDonald.pdf
Alexander Naydich	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_Naydich.pdf
Project Canary	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_ProjectCanary.pdf
Quonset Development Corporation	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_QDC.pdf
Office of RI Attorney General Peter Neronha	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_RIAG.pdf
Rhode Island Energy	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_RIEnergy.pdf
RI Grows	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_RIGrows.pdf
RMI	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_RMI.pdf
Sierra Club	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_SierraClub.pdf
Peter Trafton	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_Trafton.pdf
Fran Webber	10/21/22	https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2022-10/1021_Webber.pdf