

**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

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 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 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

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 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

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?

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?
 - (2) Can the PUC implement a cap on gas sales?
 - (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?

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?