NPA Working Group Meeting #6
March 5, 2025
75 State Street, Boston, MA

<u>Meeting Materials:</u>

<u>Agenda:</u>

Time	Topic
10-10:05	Welcome + Agenda
10:05-10:20	NPA Framework Observations by AGO Team
10:20-11:30	Stakeholder Comments Overview, LDC Response and Discussion
11:30 – 12:15	Lunch
12:15-1:45	Stakeholder Comments Overview, LDC Response and Discussion
1:45-2	Next Steps

NPA Framework Observations by AGO Team

Summary: Dean Murphy of Brattle Group, on behalf of the AGO, presented their thoughts on the role of Non-Pipeline Alternatives (NPAs) in the Commonwealth's energy transition. His presentation detailed his opinion of how NPAs are unlikely to replace significant gas capital expenditures (CapEx) due to current interpretations of the Obligation to Serve and the need for 100% customer participation, making large-scale adoption difficult. According to Attorney General's consultant, only small, end-of-pipe NPAs would likely be implemented, impacting minimal CapEx. The presentation outlined Dean's view that new gas CapEx as a primary driver of future ratepayer costs, with planned investments forming the bulk of future expenses. While pre-2024 assets will be mostly depreciated by 2050, the rate base will continue to grow unless CapEx is limited. He went on to explain that avoiding unnecessary CapEx could help stabilize costs as gas demand declines. This information was indicated to be included in DPU 24-GSEP-01 to 06, as part of the Attorney Generals testimony. The presentation highlighted a "managed transition" as essential to achieving widespread electrification while minimizing costs. Managed Transition is similar to long term holistic planning where geographic coordination and targeted electrification can be coordinated to reduce new CapEx and prevent stranded costs. Programs like Mass Save, which may help to reduce customers on the gas line, may facilitate NPAs, but rising electric rates could push customers to exit the system. Reducing financial, informational, and logistical burdens will be key to ensuring customer participation and cost-effective energy transition.

Stakeholder Comments Overview, LDC Response and Discussion

Summary: The LDCs used the stakeholder comment matrix to respond to each individual comment submitted by stakeholders, which was distributed before the meeting. Also distributed was a report format of the NPA framework, which reflected many of the suggestions and recommendations submitted by stakeholders. During the final session, Apex Analytics facilitated the discussion of illustrative key stakeholder comments and LDC responses for each section of the framework.

Key Feedback/Discussion Points (Organized by framework topic/slide)

High Level Stakeholder Comments:

- Stakeholders felt there was limited time to review the draft framework and then write comments has limited everyone's ability to engage deeply in the content.
    - LDC Comment: LDCs agree that more time would have been preferred in the process.
- Stakeholders were concerned that the timing horizon in the interim plan didn't look far enough out and suggested 3-5 years as a better horizon.
    - **LDC Comment:** Short term projects are more challenging for NPAs, but Eversource committed to reviewing projects on a longer term. Long term planning occurs across multiple different programs such as ESMP, IEP and GSEP, in addition to NPAs.

New Customer Process:

- Stakeholders discussed the inclusion of geothermal distribution service as an option for LDCs to explicitly discuss with new customers, given the new law which gives more flexibility to provide thermal service (Section 77 of Bill S.2967).
    - **Action:** Stakeholders wanted confirmation that Section 4 of the framework document is consistent with the state law and suggest LDCs consider expanding the noted options to include geothermal in the document.
- There was discussion on what LDCs meant by "certain circumstances" within the framework document, noting that there are some customers who by law must maintain a gas backup. LDCs clarified that the reference is currently for new line extensions, analysis is run through an NPV calculation to make sure that the CIAC doesn't hurt the rate base. The line extension policy is under D.P.U. review.
    - **LDC Comment:** LDCs confirm they do and will continue to follow state and federal laws.
- A stakeholder brought up the ninth circuit court Berkley gas ban by the Energy Policy and Conservation Act (article) to inquire if the case had been considered in the new customer section of the framework.

    - **Discussion:** While it is still relevant as a reference, the Berkeley case involves a blanket ban versus the case by case consideration discussed in the framework. Additionally, the circuit decision doesn't hold in MA since it's a different circuit.
- Stakeholders wanted more information about the contents of the customer acknowledgement form, and provided some suggestions:
    - Is the form a standard format used by all LDCs? Approved by DPU? Available in different languages? Information on financial assistance available?
        - **LDC Comment:** Each LDC has their own form, which were submitted to the D.P.U. where they are under review. National Grid confirmed they provide a link to MassSave and links to their own website about the options available. Liberty added their form is meant to be clear and concise.
    - Is information being collected on rationale for the customer's decision? Could that be recorded and reported to help inform future decision making?
        - **LDC Comment:** At this time, customers are not required to provide a rationale. LDCs can investigate if it's information that could be released.
    - Do the LDCs provide customers information about the future of gas, and how long the gas system may be available amongst the goals to decommission pipe? Any information about emission reduction mandates?
        - **LDC Comment:** No timelines have been shared with customers. The LDC role in the conversation is to be the customer's energy partner, with a goal to be as objective as possible. The customer ultimately makes their own choice, and LDCs provide as much information as possible at that time. Communications are meant to be clear and understandable, and meet people where they are which is why the Mass Save information is highlighted, instead of Orders. LDCs do provide some policy related information on their website.
        - **Discussion:** Stakeholders discussed the importance of communicating future cost implications of gas as well as electric, since it will take time and transition management to make it more affordable for customers to electrify. LDCs reaffirmed the importance of communicating the bill impacts of these decisions to customers.

<u>Project Identification:</u>

- Stakeholders requested more detail about the emergent project category. LDCs explained their creation of two types of emergent projects within the framework, Emergent 1 & 2. Emergent 1 are true emergencies, and do not have time to conduct an NPA. Emergent 2 projects could have time to do an NPA, though it will depend on the specific scenario. For example, if there is a persistent issue that can be managed for 1-2 years, this would allow enough time for it to be considered for an NPA.
- One stakeholder voiced concern over a lack of certainty about how each utility will categorize projects, and if there will be uniformity. Specifically, there was concern over the use of "includes

but not limited to" within the emergent 2 category, as it allows for flexibility in how LDCs define it.

  - **LDC Comment:** LDCs clarified that the reason for the language is to allow for situations they aren't aware of that could come up, and not to allow for significant changes to the definition year to year.
  - **Action:** LDCs to add clarification on their intent of "includes but not limited to" within the framework.

<u>Initial Viability Testing:</u>

- One stakeholder expressed the framework was lacking detail on the thresholds and criteria involved in this step.
  - **LDC Comment:** Thresholds need to allow for variability based on a variety of factors, even within one service territory. There could be different costs in urban versus rural areas, high rise buildings or single family, different ages of systems, etc. Trying to force a single threshold across all LDCs is unlikely to work, though the LDCs feel with more and more experience, they will be able to gain more alignment.
  - **Action:** Stakeholders recommend more transparency and alignment about the criteria in initial viability testing.

<u>Gas & Electric System Feasibility:</u>

- Stakeholders wanted more clarification on how disqualification in the electric system review based on cost reconciles with the BCA.
  - **LDC Comment:** The electric feasibility review consists of two steps—Step Zero and a full review. Step Zero provides preliminary information, including a quick analysis to determine whether upgrades are needed and a high-level engineering cost estimate. If this estimate exceeds the cost of the traditional gas solution, then the LDCs will proceed with the traditional gas solution, as such a project would not pass the RIM test. If the project moves to a detailed analysis, more precise cost estimates are provided. If those results are favorable, the project will then undergo further Benefit-Cost Analysis (BCA) tests. Step Zero primarily serves to eliminate Non-Pipeline Alternatives (NPAs) that have no realistic chance of passing.
- Stakeholders wanted more information and context for Customer Viability Reviews, since it was not clear how frequently it occurs. There was concern that this section doesn't identify the hurdle of 100% participation required to move NPAs forward.
  - **Action:** LDCs to add more clarification on how commercial/industrial are treated differently and add detail on the frequency of this step will occur. LDCs will also consider prioritization based on the number of decision makers.
  - **Action:** One stakeholder suggested the LDCs add thresholds for the various project types like capacity expansion (defined more as "right sizing" new or existing pipe through reductions of demand), traditional pipe removal, and others to provide more context of scale.

- There was some discussion on the degree to which cities/towns with goals or emissions reductions would be willing to coordinate with utilities, and how that could be incorporated into the review.
    - **LDC Comment:** With more experience, more projects being completed, and thus more data points, engagement with communities will be reflected in the models.

Benefit Cost Analysis:

- Stakeholders requested more explanation on gas RIM inputs like incremental lost gas sales.
    - **LDC Comment:** This is based on the incremental impact on gas sales. Since Mass Save does not require a gas disconnect, customers can still use gas. So the incremental lost revenue is mostly from using the heat pump while still using some gas. The lost gas amount is therefore somewhere between all of it and none of it.
- Stakeholders got confirmation from LDCs that any funding mechanisms may be considered, even though Mass Save is the current prominent one. As more programs develop, they will be included.
- Stakeholders requested clarity of their language that "all 4 [BCA tests] may be used."
    - **Action:** LDCs will add clarity on their approach. The TRC is the must-pass test. If all 4 test pass, then an NPA must proceed. If there's any other combination of results, the language is meant to build in flexibility.
- There was concern across multiple stakeholders on the following line within the framework documents, "the Companies may backfill any avoided gas investments with a project that is required by state and federal safety regulations." Stakeholders were concerned that this would add additional costs in the near term while the benefits would be realized by future customers. The Utilities indicated that it was defined not as a "will" but as a "may" and provided examples such as municipalities with limited permits in a year, taking advantage of those limited permits. There was discussion also around ratemaking comparing one time incentives impact on customers bills vs long term capital costs on customer bills. Additionally, stakeholders opposed the idea of bringing forward more GSEP projects as it seemed counter to what the overall goals are with NPAs specifically in avoiding capital projects and the future of gas generally.
    - **LDC Comments:** LDCs clarified that incremental costs to ratepayers from an NPA depends on how much incremental funding the LDC makes available beyond the Mass Save program. LDCs explained that with the backfill, there are benefits from avoiding future projects.
    - **Action:** While this was point of disagreement between LDCs and multiple stakeholders, LDCs agreed they will add more examples of backfill, and more detail on capitalization of cost. Stakeholder concerns raised in the meeting would also be documented in the final report.

In the interest of time, the facilitator opened the floor to other topics that stakeholders wanted to discuss rather than covering the final few category slides: Project Authorization, Project Prioritization, Customer Engagement/Education, Impacts to Project Implementation, and Framework updating.

- One stakeholder emphasized that LDCs must determine whether they can legally bind building owners to their initial decision. Once a customer agrees, they should be held to it to ensure climate goals are met. They expressed concern about ratepayer money being invested in projects that could be abandoned mid-way, and argued that once a commitment is made, it should be enforced to reflect the urgency of NPAs. There were also points around the legality of a provision like this.
    - **LDC Comment:** The decision for NPAs must stay with the with building owners, and while customers can change their minds before work begins, once completed, they cannot reverse the decision. A mid-way abandonment is less likely, but there are real-life situations (such as health crises) that need to be considered. LDCs also indicate that a binding agreement or a provision to prevent sale could reduce the chances to NPAs
- Another stakeholder raised concerns that projects shouldn't be stalled by a single holdout, preventing progress on prior agreements. Customers could still maintain gas stoves while moving forward with broader electrification and could pursue delivered fuels as an option.
    - **LDC Comment:** LDCs clarified that holdouts don't completely halt electrification; those who want to electrify still have their choice to do so, and there are other options the LDCs could consider, like rightsizing gas infrastructure. Ultimately, LDCs have the goal of avoiding gas system investment but they have the obligation to serve.
- One stakeholder highlighted that 100% participation is unrealistic due to existing barriers. He questioned the legal precedent of *Weld v. Gas Companies (case centered around customer obligation)*, citing an earlier case where railroads could override individual choices for future benefits. He referenced historical transitions to gas in Boston, where holdouts were forcibly cut off, though another stakeholder asserted that there are too many differences between then and now to use it as an appropriate comparison.