

Summary of Non-Pipeline Alternatives (NPAs)

Technical Subcommittee Meeting (TSC) #3

Jan 22, 2025

Agenda: Framework Follow-up

Topic
Welcome
Open items from TSC #1 – TSC #2
Other BCA questions from Working Group on 1/15
Wrap up and next steps

Key Discussion Topics

1. *NPA project identification part 1*

- E3 raised the following question derived from stakeholders in the Working Group: “How should the framework consider different scales of projects such as project cost and number of customers?” and reminded stakeholders of the feedback from TSC #1:
 - Support for cost, timing and other thresholds as a part of the NPA process.
 - Suggestion that nuance be used in how thresholds are established.
- Local Distribution Companies (LDCs) provided a high-level overview of the NPA framework, as outlined in the draft NPA framework presented to the Working Group. The LDCs then provided additional detail on the identification process step.
- Stakeholders sought clarification on the types of capital projects that fall into specific programs, including the *Other Reliability* and the *Emergent Projects* categories. LDCs explained that *Other Reliability* encompasses maintenance programs, corrosion control programs, and equipment at facilities. All together this category (along with *Metering*) represent a small percentage of total capital investment. LDCs clarified that *Emergent Projects* may be able to be broken into two groups, Emergency projects that require immediate and ongoing work to address the hazard, and other projects that can be addressed through temporary repairs.

- Stakeholders requested clarification on how new customer requests are handled within the NPA framework.
- LDCs described the process for new customer requests, which is still under development. Upon receiving a request, the LDCs provide customers with information on alternative options, such as electrification, and available incentives. To proceed with the gas installation, customers must sign an attestation confirming they have reviewed their options.
- Stakeholders recommended the LDCs clarify the treatment of new customer connections within the framework, as these do not follow the NPA process as currently outlined in the draft NPA framework.
- Stakeholders requested additional detail on how projects are identified, and whether they're identified as a part of the LDCs capital plan.
- LDCs clarified that capital plans are developed based on identified needs. The LDCs identify system needs, and projects are developed to address these needs, which are then incorporated into a capital plan. Each program has a unique process for identifying needs. For example, the location and inventory of the leak prone pipe being addressed through the Gas System Enhancement Plan (GSEP) program is well understood.
- Stakeholders emphasized the need for a flexible framework that allows for the identification of suitable projects with adequate lead time to be feasible.

2. *NPA project identification part 2*

- E3 raised the Working Group question, “What is the timing of NPAs and how do they interact with planning processes?” and reminded stakeholders of the feedback received during TSC #1:
 - Concern that gas capital plans are not conducive to NPAs due to high-risk and short project timelines.
- LDCs described the timing of various types of capital projects. They explained that the NPA framework introduces a degree of delay into the traditional planning process. Moving an NPA project through the entire NPA framework requires engineering and planning resources. The draft NPA framework is designed to identify NPA projects with a high likelihood of success. Initial viability testing will be conducted for all projects and will look at a variety of factors, including cost and timing, to identify suitable NPA projects. The LDCs recommend not establishing firm thresholds within this first filing due to insufficient data; data will be collected over time to establish these thresholds. The LDCs have proposed filing thresholds with each cost recurring cost recovery filing.
- Stakeholders requested additional information on the project authorization step. This topic fell outside the scope of this TSC meeting and will be addressed at a future meeting.
- Stakeholders noted that many NPA projects were rejected under the interim process, due to insufficient time, asking what the LDCs will do to ensure there is sufficient time moving

forward. They also asked what the LDCs are doing to address the limitation of town-specific construction timelines.

- LDCs discussed the potential opportunity to extend planning processes. They also described ongoing collaboration with municipalities, which focuses on reacting to municipal priorities, including paving restrictions. Planning further ahead could enable longer-term strategic discussions about NPAs with municipalities.
- Stakeholders asked whether traditional projects that are delayed due to municipal paving restrictions are typically replaced with an alternative traditional project in another location. The LDCs clarified that, within the GSEP program, this is typically the case. The LDCs have commitments to replace a certain amount of leak prone infrastructure each year and have associated Performance-based Regulation (PBRs). However, replacing a traditional GSEP project with an NPA would also result in a reduction in leak prone infrastructure and a reduction in fugitive emissions.

3. *Benefit Cost Analysis (BCA)*

- E3 raised the following question derived from stakeholders in the Working Group:
 - “What are the benefits and costs that should be considered within the framework?”
 - “Should a Participant Cost Test be evaluated?”
 - “How should carbon be treated?”
 - “Should environmental justice impacts be considered within the benefit cost analysis?”
 - “How do we account for customer stranded assets?”
- E3 reminded stakeholders of the feedback received during TSC #1:
 - All four tests may screen out too many NPA projects. RIM tests protect non-participants from rate increases.
 - There is a need for creative strategies to ensure affordability and participation.
 - A score of >1 may be unnecessary for a PCT, due to customer choice.
 - Social cost of carbon is accounted for within the established TRC+ test.
 - Environmental justice impacts are considered within the established TRC+ test.
 - Traditional equipment should be assumed for participants as the counterfactual.
- LDCs discussed the four cost tests included in the draft NPA framework and the perspectives they provide. They clarified that if a BCA has a score of less than one, the NPA project may proceed if the LDCs can provide solid justification. Additional funding may be made available for NPAs, and the cost tests must account for this appropriately.
- The Stakeholders reiterated their feedback that, although ratepayer protection is important, the gas ratepayer impact measure (G RIM) may not be the appropriate test to evaluate this. In particular, stakeholders are concerned about the inclusion of lost revenue within the G RIM, since other state policies may also be driving lost revenue (i.e., other

decarbonization policies may result in customers leaving the gas system, which makes “right-sizing” the gas system through NPAs even more critical).

- Stakeholders recommended that a utility cost test be used in place of the G RIM. Stakeholders also suggested the use of a ratepayer impact analysis in place of a G RIM and the use of an acceptable range of rate impacts to evaluate NPA projects.
- Stakeholders reiterated that the participant cost test (PCT) is unnecessary, as the decision to participate is ultimately up to the customer.
- Stakeholders sought clarification on the terminology used within the draft NPA framework, specifically the definitions of NPA project and NPA portfolio.
- Stakeholders asked whether a core cost test would be applied universally to all NPA projects.
- LDCs explained that they are collecting feedback on this decision. The total resource cost test (TRC), which has garnered the most stakeholder support, will likely be one of the core tests. As the draft NPA framework is currently designed, the LDCs have discretion on whether to require a score of greater than one for all NPAs.
- Stakeholders asked whether cost tests will be performed on all NPA projects.
- LDCs clarified that the intent is to focus on likely NPA candidates and that some NPA projects will be filtered out prior to the BCA step based on their suitability.
- LDCs explained that TRC included in the draft NPA framework is the same one that is established through the three-year energy efficiency program. This TRC includes the societal cost of carbon and air quality benefits.
- Stakeholders asked whether investments identified through Electric Distribution Company (EDC) planning will factor into the cost tests for NPA projects.
- LDCs clarified that any investments approved in EDC planning, such as the Electric Sector Modernization Plan (ESMP), will not be double counted within the NPA project cost tests. However, if incremental electric system investments are required, they would factor into the NPA project cost tests.