

# Regional Future of Gas Proceedings

Prepared for:



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# Overview

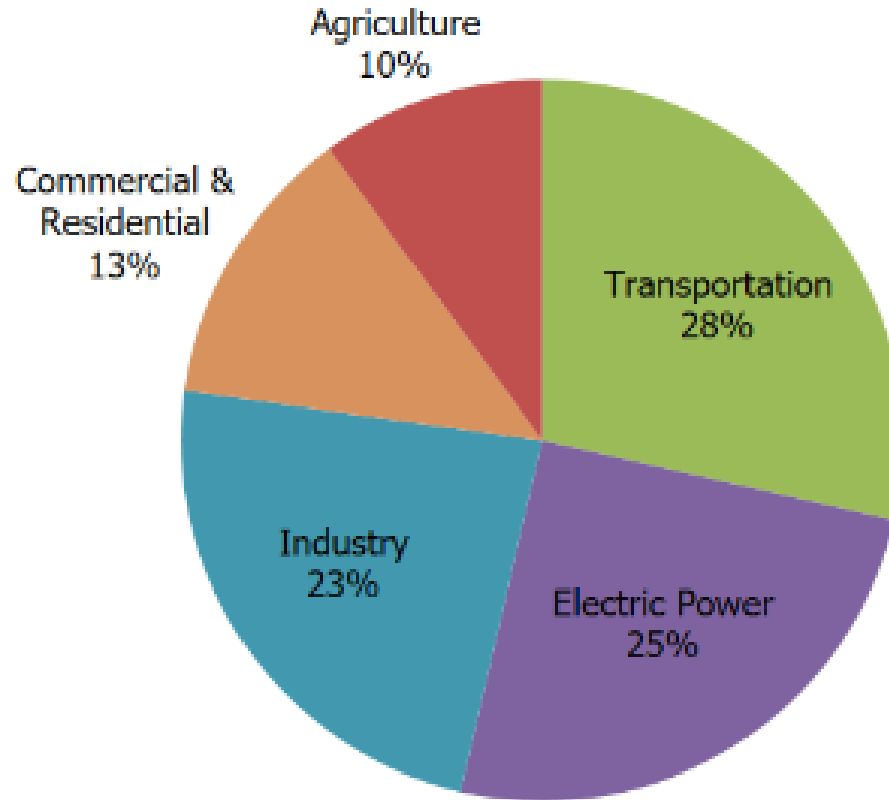
This session explores the “Future of Gas” with emphasis on Regulatory proceedings in Northeast states. Specifically, the discussion will center on:

- Greenhouse Gas Emissions (“GHG”) reduction
- State regulatory “Future of Gas” proceedings
- Public policy

# The Future of Gas: Sources of GHG

## Problem:

GHG Needs to be reduced. Several states, including many in the Northeast, have formal climate protection plans that are based on GHG reductions.



## Solution:

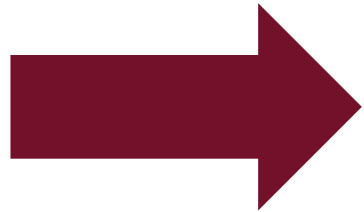
GHG emissions come from a variety of sources, including natural gas. Each economic sector must contribute to GHG reductions.

**Total U.S. Greenhouse Gas Emissions by Economic Sector**

Source: EPA. <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

The Future of Gas:  
**GHG Reduction**

Actions LDCs are taking to help meet GHG goals and achieve regulatory compliance



Energy Efficiency



Advanced Leak Detection



Repair/Replace Leak-Prone Pipe



RNG

Is it enough?

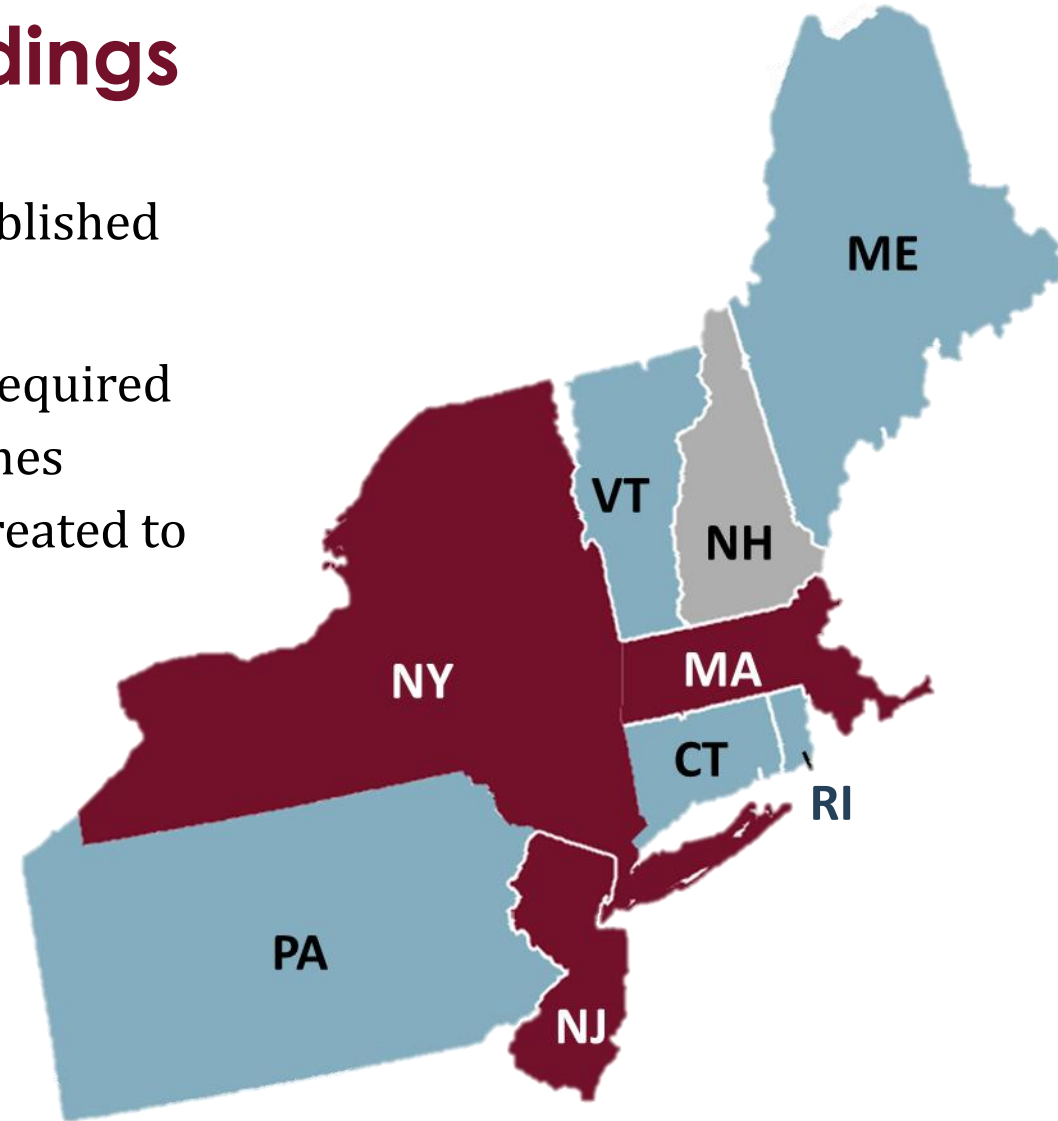
# Northeast State GHG Reduction Goals

State	GHG Goals
Connecticut	GHG reduction targets of 10% below 1990 levels by 2020 and 80% below 2001 levels by 2050.
Maine	Reduce GHG emissions by 45% by 2030
Massachusetts	Reduce GHG emissions by at least 50% from 1990 levels by 2030, at least 75% from 1990 levels by 2040, and achieve net-zero emissions by 2050 with a gross reduction in emissions of 85% from 1990 levels.
New Hampshire	No target
New Jersey	Achieve a 50% reduction in greenhouse gas emissions below 2006 levels by 2030
New York	Reduce GHG emissions from a 1990 baseline by 40% by 2030 and 85% by 2050
Pennsylvania	Reduce GHG emissions by 26% by 2025, and by 80% by 2050.
Rhode Island	5% below 1990 levels by 2030, 80% below 1990 levels by 2040 and Net-zero emissions by 2050
Vermont	Reduce GHG emissions by 26% below 2005 levels by 2025; 40% below 1990 levels by 2030, and 80% below 1990 levels by 2050

The Future of Gas:

## Northeast State Regulatory Proceedings

- All states in the region, **except for New Hampshire**, have announced economy-wide Net Zero targets that were established through legislation or executive declaration.
- LDCs in **New York, Massachusetts, and New Jersey** are required to file long-term decarbonization plans pursuant to timelines directed by the state regulatory commissions in dockets created to address the Future of Gas.
  - New York LDCs are filing according to staggered schedule that started in December 2022
    - More than half have already filed; one order to date
  - Massachusetts LDCs are all required to file April 1, 2025
  - New Jersey LDCs start filing in Q1 of 2025



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## Northeast State Regulatory Proceedings: Massachusetts

**DPU 20-80**: On October 29, 2020, the Department voted to open an investigation into potential policies that will enable the Commonwealth to reach its goal of net-zero greenhouse gas (“GHG”) emissions by 2050 and the role of Massachusetts gas LDCs in achieving that goal.

**DPU 20-80-B** Order issued on December 6, 2023, which:

- (1) Requires the application of a **non-gas pipeline alternatives** (“NPA”) analysis to “additional investment in pipeline and distribution mains”;
- (2) Establishes the timetable for establishing **“incentives and disincentives”** for progress toward compliance with Climate Act mandates as part of a performance-based ratemaking (“PBR”) framework and achievement of approved Climate Compliance Plans; and
- (3) the method for emissions reduction accounting for the Climate Compliance Plans.



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# Northeast State Regulatory Proceedings: New Jersey

DOCKET NO. G023020099: Implementation of Executive Order 317 Requiring the Development of Natural Gas Utility Plans

- a. Competitive market mechanisms to drive the lowest cost methods **for reducing total greenhouse gas emissions** associated with the natural gas sector, including ... accelerated energy efficiency and peak demand reduction targets, enhanced building electrification targets, leak minimization, or other similar measures;
- b. The need to ensure reliable operation and long-term financial viability of natural gas public utilities and the business model needed to keep the gas system intact while accounting for a shrinking customer base... **minimize investment in new infrastructure** so as to reduce risk of stranded asset costs;
- c. Alternative programs and investments that could provide natural gas utilities with **new revenue streams** and promote good-paying jobs, including union jobs, such as the potential to **convert existing pipeline infrastructure to provide decarbonized heating and cooling** to New Jersey's residents and businesses;
- d. Elimination of subsidies that encourage unnecessary investment in natural gas infrastructure that is likely to result in **stranded costs** to customers;
- e. Long-term impacts on ... customers who fail to or are unable to switch away from natural gas, with particular attention to the needs of and barriers faced by **low-income customers**, and ways to reduce barriers to transition, including rate design, incentive structuring, and pilot programs to accelerate infrastructure conversion;
- f. **Electric grid readiness** to handle electrification of building heating and cooling, as well as transportation, including recommendations for shifting investment funding from natural gas to electric system infrastructure upgrades...





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## Northeast State Regulatory Proceedings: New York

- Case No. 20-G-0131: New York Public Service Commission's May 12, 2022, *Order Adopting Gas System Planning Process* establishes a gas system planning process for natural gas local distribution companies in New York and includes a requirement for each LDC to file a long-term plan ("LTP"). The Companies filed their Initial LTP on October 2, 2023.
- Staggered LDC Revised LTP Filings: Dec 2022 to Jan 2025



As an example, RG&E filed their revised plan on February 16, 2024, which highlights:

- replacement of leak-prone pipe;
- investments in advanced leak detection and gas capture technologies;
- connection of renewable natural gas ("RNG") from farms, wastewater treatment facilities and landfills;
- studying the blending of green hydrogen with natural gas in distribution facilities;
- facilitating the adoption of electric heat pumps and other cleaner, less-emissions-intensive heating options as part of a beneficial electrification strategy; and
- helping residential, commercial, industrial, and institutional customers increase their energy efficiency while lowering their energy costs and environmental emissions.

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# Northeast State Regulatory Proceedings: Rhode Island

- On June 9, 2022, the RIPUC initiated Docket No. 22-01-NG: *Investigation Into The Future Of The Regulated Gas Distribution Business In Rhode Island In Light Of The Act On Climate*<sup>1</sup>
- The purpose of the docket is to examine the extent to which the requirements of the Act impact the conduct, regulation, ratemaking, and the future of gas supply and gas distribution within Rhode Island. The investigation will include, but not be limited to, a **stakeholder process** that identifies goals for the future of the gas system in light of the Act, identifies or updates principles for ratemaking and regulation that would reasonably facilitate **the achievement of the greenhouse gas emission reduction targets** in the Act, and develops the scope for a report on the future of gas distribution business operations and investments in the state.



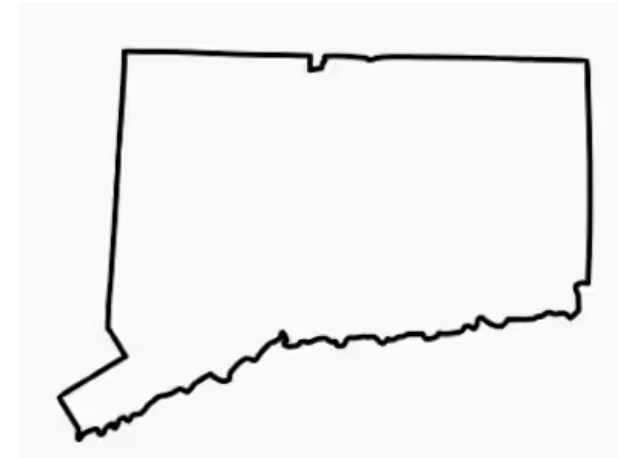
<sup>1</sup> On April 14, 2021, Governor Dan McKee signed into law the 2021 *Act on Climate*.

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# Northeast State Regulatory Proceedings: Connecticut

Docket No. 21-08-24

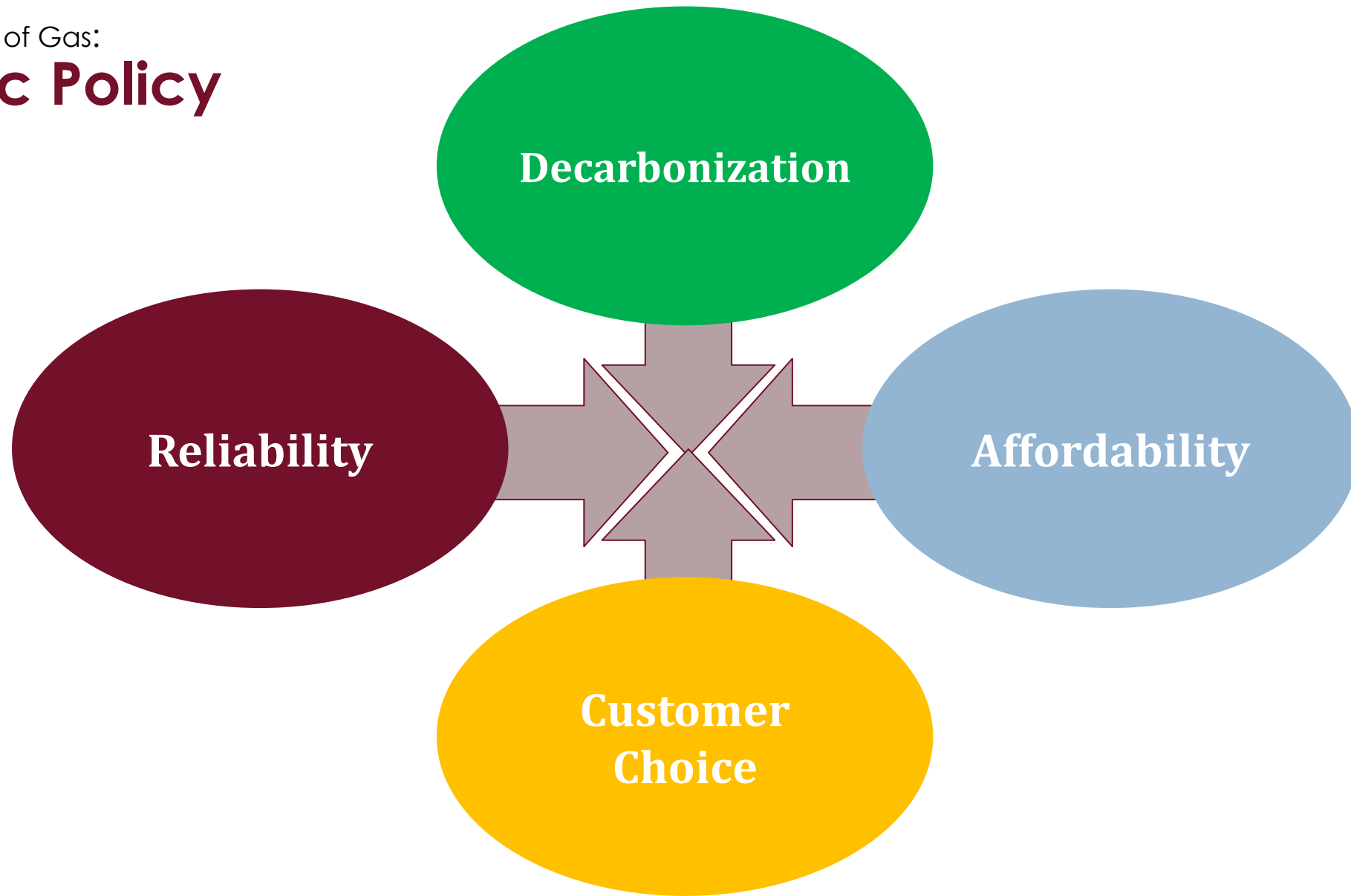
- On April 27, 2022, the Connecticut PURA issued an order **ending the decade-long gas system expansion plan.**
- Several Parties recommended that the Authority open a docket to evaluate the future of gas expansion
  - DEEP also announced<sup>1</sup> in its that it is seeking written comments on the future of natural gas given the direction of Executive Order 21-3 to develop strategies to achieve **greenhouse gas emission reductions.**
  - Given DEEP's ongoing CES proceeding, the Authority finds that it may be more appropriate for PURA to evaluate the findings from the DEEP proceeding regarding the future of gas expansion, rather than convene a PURA docket at this time.



<sup>1</sup>Comprehensive Energy Strategy ("CES") Notice of Proceeding and Scoping Meeting for the 2022 CES.

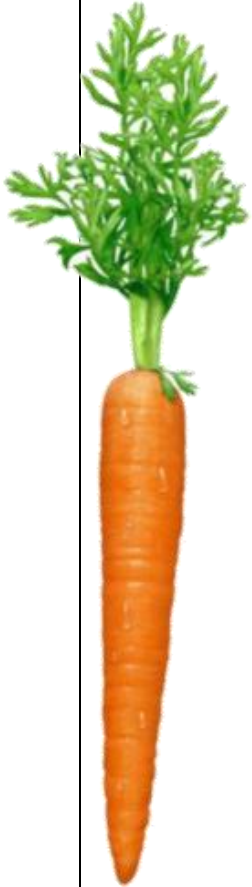
The Future of Gas:

# Public Policy



The Future of Gas:

# Public Policy: A Carrot and Stick Approach



- Electric heat pump incentives
- Non-Pipe Alternatives incentives
- RNG allowances in PGAs
- RNG investments allowed in rate base
- Energy efficiency incentives



- Local Moratoriums / Bans
- Restrictive building codes
- Government mandates
- State Regulatory Agency actions
  - CPCN approvals
  - Pipe replacement programs
  - Line extension policy

# Public Policy: Challenges

- Ability of states to meet legislated net zero emission timelines
  - Advocacy for an electric-dominant strategy
  - Need for coordination between electric and gas distribution network planning
  - Cost pressures of electric grid investment vs. energy affordability goals
  - Requirement for reliability of energy supply in colder climates and need for back-up
  - Increased community activism
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# Thank You

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