

April 17, 2020

VIA ELECTRONIC FILING

Honorable Michelle L. Phillips
Secretary to the New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 19-G-0678, Proceeding on Motion of the Commission to Investigate Denials of Service Requests by National Grid USA, The Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas East Corporation d/b/a National Grid.

Dear Secretary Phillips:

Attached for filing in the above-captioned proceeding, are coalition comments regarding the Natural Gas Long-Term Capacity Report for Brooklyn, Queens, Staten Island and Long Island.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Samantha Wilt", written in a cursive style.

Samantha Wilt
Senior Policy Analyst
Climate & Clean Energy Program
Natural Resources Defense Council

**STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

**Proceeding on Motion of the Commission to Investigate Denials of
Service Requests by National Grid USA, The Brooklyn Union Gas
Company d/b/a National Grid NY and KeySpan Gas East Corporation
d/b/a National Grid.**

Case 19-G-0678

**Natural Resources Defense Council
The Sallan Foundation
The Alliance for Clean Energy New York
Sierra Club
Surfrider Foundation, NYC Chapter
350Brooklyn
Clean Ocean Action
New Yorkers for Clean Power**

Dated: April 17, 2020

Comments to New York State Department of Public Service

Natural Resources Defense Council (“NRDC”), The Sallan Foundation, The Alliance for Clean Energy New York, Sierra Club, Surfrider Foundation, NYC Chapter, 350Brooklyn, Clean Ocean Action, and New Yorkers for Clean Power welcome the opportunity to comment on National Grid’s Natural Gas Long-term Capacity Report for Brooklyn, Queens, Staten Island and Long Island (“Downstate NY”), February 2020 (“Report”).¹

We appreciate National Grid’s work to date on this critical public policy issue. However, we believe that this Report should reflect more completely and accurately the changing regulatory landscape and address more directly achievement of critical public policy goals.

We agree with the Public Service Commission (“Commission”) that the circumstances that warranted development of this Report “demonstrate that conventional gas planning and operational practices adopted by natural gas utilities have not kept pace with recent developments and demands on energy systems.”²

1. The Report fails to account accurately or adequately for the existing levels of gas efficiency investment and savings and significantly overstates projected demand, predicting a future supply gap that is highly unlikely to ever materialize.

In its discussion of policy-aligned gas supply planning in Case 20-G-0131, the Commission explicitly recognized that “[N]on-pipe solutions, which include temporary supply, energy efficiency, electrification, and clean demand response, **can reduce or eliminate the need for gas infrastructure and investments.**”³

We agree. However, in the Report’s evaluation of non-infrastructure solutions, it does not appropriately account for the potential contribution of non-infrastructure investments to address National Grid’s gas supply needs in Downstate NY. The result is to make more traditional infrastructure investments appear to be a more cost-effective and necessary solution for addressing National Grid’s gas supply needs. In particular, the Report does not fully account for the existing levels of gas efficiency and heat pump investments, much less those future levels of investment that will be necessary to meet the Climate Leadership and Community Protection Act (“CLCPA”) goals.

Most egregiously, the Report’s modeling of Business As Usual (“BAU”) scenarios fails to use the 1.3% annual gas efficiency savings target mandated by the Commission in its January 2020 New Efficiency: New York Energy Efficiency Order (“NE:NY January 2020 Order”):

¹ Case 19-G-0678, National Grid Natural Gas Long-Term Capacity Report for Brooklyn, Queens, Staten Island and Long Island, February 2020.

² Case 20-G-0131, Proceeding on Motion of Commission in Regard to Gas Planning Procedures, March 19, 2020, p. 2.

³ Case 20-G-0131, p. 7.

“This Order establishes the State’s commitment to reaching nation-leading annual levels of efficiency savings by 2025 of 3% for electricity and **1.3% for gas.**” [emphasis added]⁴

Instead, the Report models an annual 0.8% annual gas savings level for energy efficiency and heat pumps in 2025 and then projects that this annual savings level will remain constant through 2035.

A recent analysis completed by Synapse Energy Economics, *Assessment of National Grid’s Long-Term Capacity Report: Natural gas capacity needs and alternatives*,⁵ supports the conclusion that National Grid has overstated projected demand. That study estimates that the miscalculation of the efficiency savings levels yields baseline demand that is 106 MDth/day too high and states that this shortfall, along with the use of historical customer growth rates that are unlikely to be maintained into the future, accounting for 240 MDth/day in overestimated demand (with customer conversion requests a third lower than those modeled in the Report), results in a difference in demand that would total approximately 346 MDth/day.⁶

We also believe that it is unreasonable to assume, as the Report does, that post-2025 annual gas efficiency savings will remain flat. The Report fails to account for the necessary ramp-up in accelerated energy efficiency, clean energy distributed generation, and aggressive building electrification efforts that will be required to meet New York State’s CLCPA climate goals and New York City’s Local Law 97 of 2019 mandates for buildings’ emissions reductions.

The approach that Grid has taken in this Report results in a projected total demand that is too large in both its low and high demand cases. At a minimum, the Report’s evaluation of non-pipeline supply options should be based on the Commission’s mandated 1.3% annual gas savings by 2025 target with a reasonable escalation in annual savings post-2025 to reflect improved program development, increased market penetration of heat pumps, and technological innovation. To assume that none of this will happen post-2025 is unreasonable and not supported by fact. Indeed, even prior to the enactment of the CLCPA, New York’s investments in energy efficiency, renewable energy (both utility scale and behind the meter), and other demand side measures *has only increased year over year*. Thus, based on that three-decade trend, assuming a flatline in energy efficiency and heat pump investments post-2025 is not a credible assumption on which to base resource planning.

We note that the Commission in its NE:NY January 2020 Order included an Interim Review, (incorporating a statewide energy efficiency potential study) to be completed in 2022 that will inform efficiency goals and targets through 2028.

⁴ Case 18-M-0084, In the Matter of a Comprehensive Energy Efficiency Initiative, January 16, 2020, p. 36.

⁵ Assessment of National Grid’s Long-Term Capacity Report: Natural gas capacity needs and alternatives, Synapse Energy Economics, April 6, 2020, for the Eastern Environmental Law Center, at <http://www.synapse-energy.com/project/assessment-national-grids-long-term-capacity-report>. Filed in this proceeding April 14, 2020.

⁶ Ibid, p. 13

The Interim Review will commence in 2022 with expected Commission action in 2023 to assess the full complement of actions authorized herein and make necessary adjustments. This Interim Review provides a mechanism to restate targets upwards, if more cost-effective potential is found through in-field experience, performance data, or potential studies and the like.⁷

It is very likely that the Interim Review will restate targets upwards to achieve all cost-effective efficiency and so will yield greater savings than those anticipated for 2025. It is also undeniable that CLCPA goals will necessitate even further decarbonization of the state's building stock, requiring that we move away from fossil fuels and toward widespread electrification. Furthermore, as New York moves to achieve the aggressive clean energy and emissions reductions mandates in the CLCPA, cost-effectiveness screens for energy efficiency at the Commission will have to be reformed to more accurately account for the near-, medium- and long-term impacts of continued reliance on fossil fuels, thereby by further expanding the (already expansive and untapped) universe of "cost-effective" demand side resources to be procured.

Since the Report states that the "high demand" gap is 415 MDth/day, and the "low demand" gap is 265 MDth/day; according to the Synapse estimates, the low demand scenario would be covered by the corrected NE:NY efficiency savings and lower demand. If more realistic demand side policies and post-2025 efficiency and heat pump increases are included, the high demand gap would also be bridged.⁸

2. The Report should reflect the policy direction and priorities identified by the Commission in its Order in Case 20-G-0131 initiating new gas planning procedures.

The regulatory world is changing. "Recent developments have challenged conventional approaches to gas system planning."⁹ Since National Grid's initial submission of this Report, the Commission has issued a groundbreaking Order to initiate a "Proceeding on Motion of the Commission in regard to Gas Planning Procedures."¹⁰

In its Gas Planning Order, the Commission articulated some very clear policy concerns that are directly relevant and should apply to the review of this Report. We strongly support the Commission's call for a more transparent and comprehensive, integrated gas supply planning process that specifically incorporates "a full range of practical alternatives"¹¹.

Most importantly, the Commission stated that natural gas supply "planning must be conducted in a manner consistent with the recently enacted Climate Leadership and

⁷ Case 18-M-0084, p. 59-60.

⁸ Report, p. 43.

⁹ Case 20-G-0131, p. 6.

¹⁰ Case 20-G-0131, March 19, 2020.

¹¹ Case 20-G-0131, p. 5.

Community Protection Act (CLCPA)".¹² The Commission also emphasized its intent "to establish planning and operational practices that best support customer needs and **emissions objectives while minimizing infrastructure investments ...**" [emphasis added]¹³

3. Depreciation assumptions that use status quo formulations fail to recognize the new CLCPA reality.

While the Northeast Supply Enhancement project pipeline is not a traditional, 'utility owned' asset in the same vein as a compressor station, distribution pipe, or liquified natural gas facility might be, in the context of this proceeding we provide the following considerations that the Commission should begin applying to any and all utility investments in a post-CLCPA world.

Traditionally, depreciation has been viewed as an arcane, esoteric accounting technique that only accountants and tax attorneys worry about. The reality is that how the Commission applies depreciation to utility investments directly affects the costs of natural gas supply projects.

Historically, depreciation has been used to achieve two policy objectives: (1) to encourage necessary capital investment by utilities in large-scale facilities by allowing full recovery by a utility of a prudent capital investment over a reasonable period of time that roughly reflects the useful life of that investment, aligning costs and benefits; and, (2) to cushion the immediate cost impact of such investments on ratepayers by spreading the recovery of these costs over a longer period of time. Because the "useful life" of many of these investments could extend over decades, the depreciation period for these investments often also extends over this time period.

Encouraging and incentivizing massive capital investment in large-scale facilities may have been appropriate in an era when New York was primarily dependent on fossil fuels and reliant on such projects, such as fossil power plants and natural gas pipelines, to support that dependence. That model is no longer prudent, however, in a world where public policy is encouraging investment in small, distributed, flexible energy resources that emit little, if any, greenhouse gas emissions. We are deeply concerned that by maintaining an approach to depreciation that continues to allow a natural gas utility to recover its capital infrastructure costs over an extended period, the Commission would unintentionally frustrate the adoption of more "economic" non-infrastructure solutions and unnecessarily complicate meeting the CLCPA goals by distorting the comparative evaluation of the cost-effectiveness of different supply or demand reduction options, including non-infrastructure solutions.

With passage of the CLCPA, the Commission finds itself in new waters and should be prepared to consider new approaches and investment strategies to achieve that landmark

¹² Case 20-G-0131, p. 3.

¹³ Case 20-G-0131, p. 4.

law's goals. It is critical that the Commission adopt regulatory policies to discourage investment in facilities that will become stranded assets, burdens on utility customers, and obstacles to achievement of the State's clean energy policies and greenhouse gas reduction goals. To the Commission's credit, it recently indicated in no uncertain terms its clear intention to do exactly that.¹⁴ However, that intent will be severely undermined if the Commission does not thoughtfully explore, endorse, and implement an approach to depreciation that allows a true apples-to-apples comparison between infrastructure and non-infrastructure solutions.

As part of its long-term capacity planning, National Grid should do more to consider and account for the impact of state policy on its current depreciation schedules and methodologies. The utility should describe any adjustments that may be necessary to align depreciation studies with decarbonization goals, including underlying service life assumptions.

Such an approach will be extremely informative for the Commission, National Grid, and ratepayers by providing a more balanced comparison of infrastructure and non-infrastructure solutions. It is imperative that whatever new capital investments the utility may make, most importantly with regard to new supply or demand reduction alternatives, are indeed the most cost-effective and "useful" strategies to advance the State's clean energy policies, to meet the CLCPA mandates, and to assure continued system reliability and economic growth.

4. The Report does not incorporate the value of avoided carbon in the non-infrastructure solutions.

The Report fails to discuss the costs related to carbon in the various scenarios presented. The Commission has a current proceeding where the costs of avoided carbon have been incorporated in the Benefit Cost Analysis for utility investment in response to a gas moratorium: Con Edison does account for avoided carbon in The Smart Solutions for Natural Gas Customers Program, case 17-G-0606.¹⁵ A proper accounting of costs or savings related to carbon would further improve the value of non-infrastructure solutions. The Report does, however, acknowledge the importance of efficiency to meet climate goals:

Climate Impact: As the primary goal of an intensive EE program is to reduce energy use, the direct result will be GHG emissions reduction through less gas consumption. GHG emissions will be reduced further through electricity savings. The goals of the EE program are in direct alignment with larger state-wide decarbonization efforts and

¹⁴ Case 20-G-0131, Proceeding on Motion of Commission in Regard to Gas Planning Procedures, March 19, 2020.

¹⁵ Con Edison. 2018. Request for Approval of Non-Pipeline Solutions Portfolio in The Smart Solutions for Natural Gas Customers Program. Case 17-G-0606. September 28, 2018, available at <http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=17-G-0606&submit=Search>

regardless of source, energy demand will need to be reduced to meet mid-century decarbonization targets.¹⁶

5. The Report mistakenly frames the benefits of biomethane and hydrogen and their role in the future thermal energy system.

Neither biomethane nor hydrogen has a transformative role in the future of thermal energy in New York. The Report cites an American Gas Foundation report by ICF (the “AGF Report”),¹⁷ stating that: “[b]ased on current studies, it is estimated that 12-29% of gas consumption can be supplied by R[enewable] N[atural] G[as] in the future.”¹⁸ That percentage is misleading, however, as it actually represents the percentage of current **residential** gas consumption, not total gas consumption, as suggested by the language used in the Report.¹⁹

In addition to the vast overstatement of potential supply included in the AFG Report, we are extremely skeptical of the amount of biomethane that would be available specifically for use in Downstate NY. We believe that even the low resource potential scenario of the AGF Report is highly questionable and flawed, including both unrealistic assumptions about cost and availability and unacceptable feedstocks. Given the environmental impacts of different biomethane sources, many should be removed from consideration (especially waste-to-energy, also known as burning garbage). In addition, what little biomethane will be available should be directed to hard-to-electrify sectors, and not to buildings, a sector where electrification of heat and hot water is technically and economically feasible right now, or will be in the near future.

6. Non-infrastructure solutions also have lasting, local job benefits..

Along with the preceding arguments that the only appropriate, CLCPA-compliant, options are non-infrastructure solutions, those solutions also confer additional benefits. The Report unfortunately does not analyze broader economic impacts of various scenarios, although the sustained, distributed investment that is the result of energy efficiency and electrification of heating and hot water through non-infrastructure solutions will yield significant numbers of local jobs over the long term that should be recognized. The Report does mention the breadth of benefits, however—both jobs and consumer bill savings—from efficiency projects:

Community Impact

The intensive incremental efficiency and weatherization effort will further develop the ecosystem that includes a wide range of contractors and suppliers who will need

¹⁶ Report, p. 77.

¹⁷ American Gas Foundation Study prepared by ICF: *Renewable Sources of Natural Gas: Supply and Emissions Reduction Assessment*, 2019.

¹⁸ Report, p. 44.

¹⁹ Using 2019 EIA numbers, the low resource potential would be 5.5% and the high potential would be 12.6%. Energy Information Administration, Natural Gas Consumption by End Use at https://www.eia.gov/dnav/ng/ng_cons_sum_dcunusa.htm.

to hire additional employees to support the spending over the duration of the program. A significant portion of these investments will go directly into the downstate economy. In addition, bill savings from the energy efficiency measures will allow consumers to spend some portion of this savings within the local economy.²⁰

7. Conclusion

The Commission should reject National Grid's Report and direct the utility to revise it, consistent with the policies and directives adopted by the Commission in its recently approved Natural Gas Planning Order. As the Commission itself recognizes, full consideration of all the long-term benefits and impacts of all options is the only prudent and intelligent path forward for gas supply planning in New York—one which recognizes the full range of the State's climate, clean energy, environmental and economic policy goals.

National Grid's current Report suffers from a series of fundamental flaws in its modeling of customer demand, its estimates of the BAU impacts of existing programs to reduce gas usage, and its miscalculations of the overall costs and benefits of non-infrastructure solutions. Minimally, a revised Report must accurately incorporate the full energy efficiency savings mandates approved by the Commission in its NE:NY January 2020 Order. In addition, consistent with the State's policy mandates embodied in the landmark CLCPA, the revised Report should also explicitly recognize the value of avoided carbon emissions in non-infrastructure solutions. We are confident such an improved approach to the analysis will yield starkly different conclusions than National Grid has drawn to date—conclusions that are far more consistent with the direction New York now must head by law in order to meet its nation-leading climate and clean energy commitments.

Respectfully submitted,

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²⁰ Report, p. 77.