

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of The Brooklyn Union Gas Company d/b/a National Grid NY for Gas Service	)	Case 19-G-0309
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of KeySpan Gas East Corp. d/b/a National Grid for Gas Service	)	Case 19-G-0310

**STATEMENT IN SUPPORT OF JOINT PROPOSAL  
BY  
ENVIRONMENTAL DEFENSE FUND**

**Dated: June 2, 2021**

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Pursuant to the New York State Public Service Commission’s (“Commission”) May 24, 2021 Ruling Revising Procedural Schedule on Joint Proposal, Environmental Defense Fund (“EDF”) respectfully submits its Statement in Support regarding the Joint Proposal filed by KEDNY and KEDLI (“National Grid” or “Companies”) on May 14, 2021 in the above-captioned proceedings. In support thereof, EDF states as follows:

## **I. INTERESTS OF EDF**

EDF is a membership organization whose mission is to preserve the natural systems on which all life depends. Guided by science and economics, EDF seeks practical solutions to resolve environmental problems. EDF uses the power of markets to speed the transition to clean energy resources, and consistent with its organizational purpose is engaged in activities to facilitate cost-effective and efficient energy market designs that encourage investment to modernize the energy system so that it can support economy-wide reductions in greenhouse gas emissions through reduced reliance on oil and gas. EDF works collaboratively with market participants sharing these goals.

EDF is headquartered in New York and has hundreds of employees and thousands of members in the state. Before this Commission, EDF has highlighted the importance of harmonizing the Commission’s natural gas policies with the state’s ambitious climate goals, and of applying heightened scrutiny to infrastructure buildout that undermines drivers for more efficient solutions and potentially imposes long-term economic and environmental costs on ratepayers.<sup>1</sup> And in the REV proceeding and related proceedings, EDF has highlighted the

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<sup>1</sup> See, e.g., *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures*, Case 20-G-0131, Comments of Environmental Defense Fund (May 3, 2021); *In the Matter of Staff Investigation into a Moratorium on New Natural Gas Services in The Consolidated Edison Company of New York, Inc. Service Territory*, Case 19-G-0080, Comments of Environmental Defense Fund (Feb. 28, 2019); *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and*

importance of valuing the benefits and costs (including environmental costs and benefits) of utility system assets and alternatives and providing accurate, value-based price signals and incentives to all market participants including utilities and their customers.<sup>2</sup>

EDF has dedicated significant time and resources to participating in this proceeding, which was initiated in April 2019. EDF filed testimony by three experts in August 2019; participated in a full evidentiary hearing in February 2020; and attended numerous settlement discussions, spanning from September 2019 to May 2021. The culmination of this process is the Joint Proposal, which was filed on May 14, 2021. This case has made clear that a business-as-usual approach to gas utility regulation is no longer sufficient in an era of rigorous climate commitments. While the Joint Proposal is a step in the right direction, the Commission must take action to revise the gas planning procedures that apply to all gas utilities in the state in order to place gas utilities on a pathway to achieve the greenhouse gas reductions required by the CLCPA.

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*Regulations of Niagara Mohawk Power Corporation for Electric and Gas Service*, Case 17-E-0238 and 17-G-0239, Testimony and Attachments of Simi Rose George on behalf of the Environmental Defense Fund (Aug. 25, 2017); EDF Letter to Secretary Burgess, Heightened Scrutiny of Precedent Agreements Supported by Affiliates, Case 93-G-0932 (Nov. 29, 2016).

<sup>2</sup> See, e.g., *In the Matter of the Value of Distributed Energy Resources Working Group Regarding Value Stack*, Matter 17-01276, *In the Matter of the Value of Distributed Energy Resources*, Case 15-E-0751, and *Proceeding on Motion of the Commission as to the Policies, Requirements and Conditions for Implementing a Community Net Metering Program*, Case 15-E-0082, Comments in response to the Notice Soliciting Comments on Staff Proposal and Related Matters (August 6, 2018); Case 15-E-0751 and *In the Matter of the Value of Distributed Energy Resources Regarding Rate Design*, 17-01277, Coalition for Sustainable Distributed Clean Energy, Comments on Rate Design Successor to Net Energy Metering for Mass Market Customers (May 29, 2018); *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, Case 14-M-0101, Reply Comments of Environmental Defense Fund Regarding the Staff White Paper on Benefit-Cost Analysis Framework (September 10, 2015).

## II. STATEMENT IN SUPPORT

### A. The Joint Proposal is a Step in the Right Direction, But Further Changes Will be Required to Align National Grid's Operations with New York Climate Policy

There is an outstanding and urgent need to align gas utility operations with the Climate Leadership and Community Protection Act (“CLCPA”),<sup>3</sup> its implementing policies, and New York City Local Law 97. The CLCPA was enacted in 2019 and mandates that the State of New York adopt measures to reduce statewide greenhouse gas (“GHG”) emissions by 40% by 2030 and 85 percent by 2050 (from 1990 levels), with an additional goal of achieving net zero emissions across all sectors of the economy by 2050 (the remaining 15 percent can come from carbon offsets).<sup>4</sup> The Act also requires adoption of a state energy plan to produce 70% of electricity from renewable sources by 2030, and to achieve a zero-GHG-emission electricity sector and increase energy efficiency 23% (from 2012 levels) by 2040.<sup>5</sup> Local Law 97, enacted in 2019, requires a minimum 40% reduction in citywide GHG emissions by 2030, and an 80% reduction by 2050 (from 2005 levels).<sup>6</sup> Local Law 97 places increasingly stringent carbon caps on most buildings larger than 25,000 square feet starting in 2024, spurring investment in building energy efficiency and electrification.

New York gas utilities must move towards a new norm to achieve these necessary reductions in greenhouse gas emissions, and the National Grid Joint Proposal represents an important step in the right direction. However, significant additional changes will be required of National Grid in the coming years to address the imperative to decarbonize energy end use by

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<sup>3</sup> New York State Climate Leadership and Community Protection Act (“CLCPA”), 2019 N.Y. Laws 106, available at <https://legislation.nysenate.gov/pdf/bills/2019/S6599>.

<sup>4</sup> CLCPA § 1(4); *id.* § 2 (N.Y. ECL § 75-0107(1)).

<sup>5</sup> CLCPA § 1(12)(d); CLCPA § 4 (N.Y. PSL § 66-p(2)).

<sup>6</sup> 2019 N.Y.C. Local Law No. 97 § 3, codified at N.Y.C. Admin. Code §§ 24-803.

mid-century. Many policies to guide the clean energy transition are in development at this time, including the Commission’s ongoing proceeding to establish new standards for gas utility planning that align with the CLCPA.<sup>7</sup> That proceeding, as well as climate policies in development by the Climate Action Council and NYSERDA,<sup>8</sup> will serve to further guide National Grid’s operations, programs, and investments in the years to come. The Joint Proposal acknowledges these developing policies, with several climate-related provisions tied to future decisions by the Commission or the Climate Action Council, as discussed herein.

The Joint Proposal establishes a term of three rate years, ending March 31, 2023, and contains a number of commitments that will slow the expansion of the gas distribution system and explore pathways to transition retail customers off of the gas system. For example, National Grid will support deployment of geothermal heating and will conduct a study to review the cost of new gas connections and assess how those funds could be redirected to incentivize heat pump adoption. The Joint Proposal represents an incremental first step to the decarbonization of the gas system.

Improvements to long-term planning are essential to align National Grid’s operations and investments with the CLCPA and to avoid future moratoriums—and are not resolved in the Joint Proposal. In testimony, EDF recommended that the Commission adopt certain protocols for the

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<sup>7</sup> *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures*, Case 20-G-0131, Order Instituting Proceeding at p6-7 (Mar. 19, 2020) (stating that planning must be conducted consistent with the CLCPA and that the “current approach to gas system planning poses risks of incomplete alignment with [the] CLCPA”).

<sup>8</sup> See, e.g., New York Climate Action Council, Presentation: Energy Efficiency and Housing: Public Engagement Session (Feb. 4, 2021), <https://climate.ny.gov/-/media/CLCPA/Files/2021-02-04-EEH-Public-Engagement-Session.pdf> (presenting preliminary draft recommendations); NYSERDA, Toward a Clean Energy Future: A Strategic Outlook 2021-2024 at p26 (Jan. 2021), <https://www.nyserda.ny.gov/About/Publications/Program%20Planning%20Status%20and%20Evaluation%20Reports/Strategic%20Outlook> (explaining the launch of a comprehensive building electrification initiative).

filing and review of the Companies' long-term gas supply plans.<sup>9</sup> Since that testimony was filed, the Commission has initiated a statewide gas utility planning proceeding, where issues pertaining to long-term planning will need to be resolved.<sup>10</sup> The Department of Public Service Staff's Gas System Planning Process Proposal recommends that New York gas utilities be required to submit long-term plans and that National Grid's and other downstate utilities' plans be due in the first year of the planning process,<sup>11</sup> which could begin in 2022.

The Commission's order resolving this rate case must be consistent with the climate targets of the CLCPA. Section 7 of the CLCPA states that "all state agencies," "[i]n considering and issuing . . . administrative approvals and decisions, . . . shall consider whether such decisions are inconsistent with or will interfere with the attainment of the statewide greenhouse gas emissions limits established in article 75."<sup>12</sup> If an agency concludes that its action is inconsistent with the GHG emission limits, the agency "shall provide a detailed statement of justification as to why such limits/criteria may not be met, and identify alternatives or greenhouse gas mitigation measures to be required where such project is located."<sup>13</sup> Additionally, state agencies are required to "not disproportionately burden disadvantaged communities" and "shall also prioritize reductions of greenhouse gas emissions and co-pollutants in disadvantaged communities."<sup>14</sup>

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<sup>9</sup> See *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of The Brooklyn Union Gas Company d/b/a National Grid NY for Gas Service & KeySpan Gas East Corp. d/b/a National Grid for Gas Service*, Cases 19-G-0309 & 19-G-0310, Direct Testimony of Gregory Lander on behalf of EDF (Aug. 30, 2019).

<sup>10</sup> *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures*, Case 20-G-0131, Order Instituting Proceeding (Mar. 19, 2020).

<sup>11</sup> *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures*, Case 20-G-0131, Staff Gas System Planning Process Proposal at p7 (Feb. 12, 2021).

<sup>12</sup> CLCPA § 7(2).

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* § 7(3).

The Commission has not established a process or framework to assess whether a rate proposal is consistent with the CLCPA. Such a standard is needed in order for the Commission to fulfill one of its core responsibilities of carbon reduction.<sup>15</sup> Gas utility compliance with the CLCPA will require year-over-year reductions in greenhouse gas emissions from their operations (including Scope 1, 2, and 3 emissions). Accordingly, the Commission must develop tools and metrics to measure and facilitate these reductions in order to confirm whether its approval of utility requests does not interfere with attainment of the GHG reduction targets in the CLCPA.<sup>16</sup> In its brief filed last year regarding resolution of this rate case, EDF recommended that the Commission “use this interim period—when the full regulatory framework for implementing the CLCPA is still being developed, but Section 7 and other mandates have gone into effect—to (1) assure that information from utilities about their emissions is developed, collected, and made available so that compliance with the CLCPA can be determined, and (2) make a determination of CLCPA compliance based on the best information available.”<sup>17</sup> The Commission should apply a more stringent standard to rate cases and other major filings by gas utilities going forward, particularly in proceedings initiated after the effective date of the CLCPA on January 1, 2020.<sup>18</sup>

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<sup>15</sup> *In the Matter of a Comprehensive Energy Efficiency Initiative*, Order Adopting Accelerated Energy Efficiency Targets, Case No. 18-M-0084 at page 25 (December 13, 2018) (“Reducing carbon emissions is a critical priority and a significant portion of the Commission’s responsibility, as identified in the State Energy Plan, authorized in the Public Service Law and Energy Law, and encoded in the BCA Framework adopted by the Commission.”).

<sup>16</sup> See *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of The Brooklyn Union Gas Company d/b/a National Grid NY for Gas Service & KeySpan Gas East Corp. d/b/a National Grid for Gas Service*, Cases 19-G-0309 & 19-G-0310, Direct Testimony of James Fine on behalf of EDF (Feb. 6, 2020).

<sup>17</sup> *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of The Brooklyn Union Gas Company d/b/a National Grid NY for Gas Service & KeySpan Gas East Corp. d/b/a National Grid for Gas Service*, Cases 19-G-0309 & 19-G-0310, EDF Post-Hearing Brief at p4 (Apr. 6, 2020).

<sup>18</sup> The Companies filed rate applications to initiate this proceeding in April 2019.

## **B. The Joint Proposal Will Further National Grid’s Efforts to Reduce Fugitive Methane Emissions**

The Joint Proposal provides that National Grid will implement an Enhanced High Emitter Methane Detection Program, using advanced leak detection technology and data analytics (ALD+) to find and remediate large leaks in order to reduce methane emissions.<sup>19</sup> The Companies will work with EDF to prioritize ALD+ survey areas, report on outcomes, and develop a proposal to expand the Enhanced High Emitter program based on learnings from the first 2 years. This program will result in quantifiable reductions in methane emissions from the gas distribution system, contributing to the CLCPA targets in the immediate term.

Methane is the principal component of natural gas and is a potent greenhouse gas that traps 84 times more heat than carbon dioxide over the first 20 years it is released, meaning that methane contributes significantly to near-term climate change.<sup>20</sup> The CLCPA acknowledges the short-term climate impact of methane and seeks to ensure that GHG emissions reductions are “real, permanent, quantifiable, verifiable, and enforceable.”<sup>21</sup> Natural gas leakage from distribution pipelines is widespread in U.S. cities, particularly in New York due to the significant mileage of leak-prone pipe on the system.<sup>22</sup> Thus, reducing gas pipeline leakage presents an important opportunity to quickly reduce methane emissions in New York.

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<sup>19</sup> *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of The Brooklyn Union Gas Company d/b/a National Grid NY for Gas Service & KeySpan Gas East Corp. d/b/a National Grid for Gas Service*, Cases 19-G-0309 & 19-G-0310, Joint Proposal at p58; *id.* at Appendix 9 (May 14, 2021).

<sup>20</sup> *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of The Brooklyn Union Gas Company d/b/a National Grid NY for Gas Service & KeySpan Gas East Corp. d/b/a National Grid for Gas Service*, Cases 19-G-0309 & 19-G-0310, Direct Testimony of Joseph von Fischer on behalf of EDF at p5-6 (Aug. 30, 2019).

<sup>21</sup> CLCPA § 2 (N.Y. ECL § 75-0101(2), 75-0109(3)(b)).

<sup>22</sup> Direct Testimony of Joseph von Fischer on behalf of EDF at p5.

ALD+ has been shown to locate more gas leaks than traditional survey technology and methods, and it can quantify the leak flow rate from individual leaks, allowing for prioritization of leak repair, pipe replacement, or pipe retirement to address the largest leaks more quickly. One peer-reviewed study demonstrated that utility crews using traditional methods located only 35% of the pipeline leaks found using ALD+.<sup>23</sup> By incorporating ALD+ into its operations in addition to traditional leak survey methods, National Grid will reduce methane emissions and enhance system safety.

Furthermore, the Enhanced High Emitter Methane Detection Program will give National Grid a head start on compliance with forthcoming federal standards. The PIPES Act of 2020 requires the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (“PHMSA”) to set standards mandating the use of ALD+ by gas distribution companies to conduct leak detection and repair programs, with the objective of improving safety and environmental protection.<sup>24</sup> National Grid’s use of ALD+ will be helpful for compliance with the forthcoming PHMSA standard, and its reporting on the Enhanced High Emitter Methane Detection Program could provide useful guidance for other New York gas utilities.

The current leak backlog metric creates a problematic incentive structure that rewards National Grid for reporting a lower number of leaks in its backlog at the end of the year, and thus disincentivizes adoption of new approaches that can be expected to find more leaks.<sup>25</sup> The Joint Proposal provides for a process whereby EDF, the Companies, and other interested parties will

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<sup>23</sup> Weller, Zachary *et al.*, *Vehicle Based Methane Surveys for Finding Natural Gas Leaks and Estimating their Size: Validation and Uncertainty*, Envtl. Sci. & Tech. 2018, 52, 11922-11930 (Sept. 2018), <https://pubs.acs.org/doi/10.1021/acs.est.8b03135>.

<sup>24</sup> Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, Division R – PIPES Act of 2020, Section 113 (enacted Dec. 27, 2020) (establishing 49 U.S.C. § 60102(q)).

<sup>25</sup> See Joint Proposal at p109, Part 10.2.1; Direct Testimony of Joseph von Fischer on behalf of EDF at p33.

discuss changes to the leak backlog metric, and the Companies will propose changes to the leak backlog metric in their next rate case filings, to incentivize reductions in the volume of leaked methane.<sup>26</sup> As stated in testimony, EDF recommends that the current incentive structure be revisited to establish a volumetric leak reduction target, where the Companies would determine a systemwide baseline leak flow rate based on ALD+ surveys and be required to achieve a 50% reduction in leak flow rate (i.e., methane emissions) over 3-5 years.<sup>27</sup>

### **C. The Joint Proposal Provides for Heightened Review of New Gas Capacity**

To ensure that New York achieves the GHG emission reduction targets of the CLCPA and decarbonization of the gas system, new capacity for fossil natural gas should be a last resort. The Demand Capacity Surcharge Mechanism, Capacity Demand Metrics, and Long-Term Capital Capacity Projects components of the Joint Proposal (collectively, “capacity review process”) constitute an important step toward this approach.

The Joint Proposal requires that National Grid meet or exceed annual Capacity Demand Metrics for energy efficiency and demand response programs (“EE and DR”), non-pipes alternatives (issue at least one RFP annually), electrification referrals (refer 200+ gas customers annually to electric utilities), and leak-prone pipe retirement (identify at least 5 LPP segments annually for retirement or replacement).<sup>28</sup> National Grid must file quarterly reports detailing updated demand response forecasts, actions to implement EE and DR programs, and the status of performance for the Capacity Demand Metrics. The Surcharge Mechanism authorizes the Companies to spend additional funds on EE and DR programs beyond costs already included in

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<sup>26</sup> Joint Proposal at p110, Part 10.2.2.

<sup>27</sup> Direct Testimony of Joseph von Fischer on behalf of EDF at p33-35.

<sup>28</sup> See Joint Proposal at p47-50, Part 5.3.2.

base rates and requires annual Demand Side Management filings detailing planned expenditures, for Commission review.<sup>29</sup>

If National Grid still identifies an outstanding capacity need, it may then seek cost recovery for one or several of the listed long-term capital capacity projects—conditioned on (1) demonstrating achievement of the Capacity Demand Metrics for non-infrastructure solutions and (2) an independent assessment of the need for the project(s).<sup>30</sup> National Grid must file a report identifying the project for which it seeks cost recovery, presenting an assessment of need, and demonstrating performance under the Capacity Demand Metrics. National Grid and Staff will select a qualified independent consultant who will conduct a review of the report within 45 days.<sup>31</sup> During that time, members of the public may file comments on the proposal and National Grid will hold at least one stakeholder meeting for community feedback. The independent consultant will assess and report on the need for the proposed capacity project, considering relevant factors such as need, safety, alternative options, public comments and analyses (including from the stakeholder meeting), and the greenhouse gas emissions and All-In Cost of the proposed project and alternatives.<sup>32</sup> If the independent consultant determines that the project is needed, then the Companies may recover the costs through the Demand Capacity Surcharge Mechanism; the Companies may not recover costs if the independent consultant determines that the project is not needed, though National Grid may seek reconsideration by the Commission.<sup>33</sup>

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<sup>29</sup> See Joint Proposal at p33-36, Parts 3.22.1 & 3.22.2.

<sup>30</sup> See Joint Proposal at p42, Part 5.3.

<sup>31</sup> Staff and National Grid should carefully select a consultant that has expertise not only in natural gas engineering and infrastructure, but also in the types of programs and technologies that could serve as alternatives to a traditional gas capacity project, such as district geothermal systems and heat pumps.

<sup>32</sup> Joint Proposal at p45-46.

<sup>33</sup> *Id.* at p46-47.

The process established in the Joint Proposal appropriately prioritizes non-infrastructure alternatives before additional gas capacity may be pursued, including referring existing or potential gas customers to electric options instead. And review of GHG emissions associated with any new capacity project, as is incorporated in the capacity review process, should become the new normal for gas utilities before cost recovery. As New York strives to reduce GHG emissions under the CLCPA, it is essential that natural gas use be reduced and that alternatives are pursued before expanding gas infrastructure. Furthermore, it is valuable that the independent consultant will assess and consider the All-In Cost metrics (Design Day and Estimated Use) for the proposed project and possible alternatives, including non-pipes alternatives. The All-In Cost metrics will allow for an apples-to-apples comparison of the true cost of different options, and this will inform the consultant's assessment and will also be valuable for the public to review.

The All-In Cost metric was developed and proposed by EDF.<sup>34</sup>

While the capacity review process is an improvement over business-as-usual, going forward it could be strengthened through further oversight. The Commission could review the independent consultant report—and either approve or disapprove its conclusion—before National Grid is eligible for cost recovery of a capacity project. In addition, other parties and members of the public who engage in the public comment period on a capacity project proposal could have the ability to challenge the independent consultant's determination, which would build on the process already in the Joint Proposal whereby the Companies may challenge the independent consultant's determination. Such changes would allow for more fulsome oversight of company decisions and elevate stakeholder input, ultimately leading to better and more equitable outcomes.

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<sup>34</sup> See Direct Testimony of Gregory Lander on behalf of EDF at p14-16.

## **D. Improving Gas Planning Procedures to Ensure More Equitable Outcomes**

There is significant community opposition to several gas capacity projects that are identified as possible projects that National Grid may seek cost recovery for during the rate term. In particular, the Metropolitan Reliability Infrastructure (“MRI”) pipeline project has been opposed by many community members, including by many local elected officials in Brooklyn.<sup>35</sup> The Joint Proposal states that KEDNY shall not perform additional work on Phase 5 of the MRI Project unless and until the Commission has acted on a petition, which KEDNY will file seeking cost recovery approval if it decides to pursue the project.<sup>36</sup> Thus, if National Grid pursues the project, MRI Phase 5 will be subject to an independent consultant review of need plus Commission review. The Greenpoint Vaporization Expansion Project (13 and 14) is also opposed by many members of the community.<sup>37</sup> This project is one of the capacity projects subject to review by an independent consultant.<sup>38</sup> The Commission and National Grid should be attentive and responsive to community concerns in assessing these projects.

This opposition makes clear the need for improved gas planning procedures that appropriately consider and weigh community impacts in decision-making. EDF has offered a framework in Case No. 20-G-0131 that would help facilitate consideration of this important

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<sup>35</sup> See Press Release: Citing continuing construction of controversial fracked gas projects, environmental groups and NYC Comptroller walk out of downstate National Grid rate case negotiations calling the process “an undemocratic path to climate disaster” (Mar. 11, 2021), <https://static1.squarespace.com/static/5e383a758a73ef3c81c74323/t/604a6aa2074a412941fddb1f/1615489698442/Walk+Out+Press+Release.pdf>.

<sup>36</sup> Joint Proposal at p47, Part 5.3.1.

<sup>37</sup> See Verified Petition of Sane Energy Project, Cooper Park Resident Council, Inc., Christine Facella, Eric Kun, & William Vega v. N.Y. DEC & National Grid, Supreme Court of N.Y. County of Queens, [https://static1.squarespace.com/static/591df0576b8f5b5eb0ae5849/t/6053a4fd4ac0744b261a98b7/1616094461803/Petition++FINAL+3.18\\_PDF.pdf](https://static1.squarespace.com/static/591df0576b8f5b5eb0ae5849/t/6053a4fd4ac0744b261a98b7/1616094461803/Petition++FINAL+3.18_PDF.pdf).

<sup>38</sup> Joint Proposal at p42, Part 5.3.

issue.<sup>39</sup> In this case, EDF has advocated for heightened review of new infrastructure projects and use of the All-In Cost metric.<sup>40</sup> While these are steps in the right direction, more is needed to ensure more equitable gas planning going forward. The Commission and National Grid should be attentive and responsive to community concerns in assessing these projects.

#### **E. The Joint Proposal Begins to Center Utility Decision-Making Around Climate Targets**

The Joint Proposal contains several provisions that elevate the importance of assessing and reporting on greenhouse gas emissions and using that information to guide investments and programs, which will advance New York climate goals. As described in testimony, EDF recommends that National Grid develop a comprehensive GHG assessment methodology, establish a current emissions baseline, and then explain how specific programs will affect the baseline.<sup>41</sup> The Joint Proposal stipulates that the Companies' next rate filing must include a climate assessment estimating their current GHG emissions baseline (to include Scope 1, 2, and 3 emissions) as well as an assessment of the GHG emissions impact of individual investments and programs.<sup>42</sup> And as described above in Part II(C), the Joint Proposal provides for a GHG emissions assessment of gas capacity proposals and alternative options as part of the capacity review process.

The Joint Proposal provides that the Companies will complete a CLCPA Study to evaluate how their businesses will evolve to support the climate goals set by the CLCPA, New

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<sup>39</sup> *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures*, Case 20-G-0131, Comments of Environmental Defense Fund at p63 (May 3, 2021) (proposing a stakeholder collaborative to plan for the decommissioning of portions of the gas distribution system that centers community outreach acceptance, particularly for low-income and frontline communities); *id.* at p28 (proposing an RFP process for any proposed capacity project, to include the perspectives of community members and to allow stakeholders to submit information requests to the utility regarding the RFP process).

<sup>40</sup> See Direct Testimony of Gregory Lander on behalf of EDF.

<sup>41</sup> See Direct Testimony of James Fine on behalf of EDF (Feb. 6, 2020).

<sup>42</sup> Joint Proposal p81, Part 7.5.6.

York City Local Law 97, and the Companies' own GHG emission reduction goals.<sup>43</sup> The CLCPA Study will assess specific decarbonization goals—EDF recommends that this should include several pathway analyses, including to reduce billed gas usage by 40% or more by 2030. And the Companies will detail specific changes to programs and investments in their next rate filings that seek to achieve the objectives assessed in the CLCPA Study. The Joint Proposal also provides that National Grid will complete a Depreciation Study on the impact of the CLCPA, Local Law 97, and other relevant climate change policies on the average service lives of gas assets, assessing the appropriate survivor curve to inform the Companies' next base rate filing.<sup>44</sup> Both the CLCPA Study and the Depreciation Study will invite community participation through an initial scoping meeting, an opportunity to review the draft studies, and a meeting for further feedback before the studies are finalized and published.

These provisions are initial steps, and further procedures are necessary to systemize a methodology for GHG emissions analysis and a process for centering GHG emissions in utility decision-making. EDF has provided recommendations to align utility planning with the CLCPA in comments in Case 20-G-0131—including a tool to track utility GHG emissions—and looks forward to continuing to engage in that proceeding and elsewhere before the Commission.<sup>45</sup> However, the Joint Proposal will provide experience in the near-term to both the Companies, the public, and the Commission about how to consider GHG emissions in decision-making, and

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<sup>43</sup> Joint Proposal at p77, Part 7.5.3.

<sup>44</sup> Joint Proposal at p79, Part 7.5.4.

<sup>45</sup> See *Proceeding on Motion of the Commission in Regard to Gas Planning Procedures*, Case 20-G-0131, Comments of Environmental Defense Fund at p28 (May 3, 2021); *id.* at Attachment 4; M.J. Bradley & Associates, Gas Company Climate Planning Tool (Version 1.0 released May 3, 2021), [https://mjbradley.com/mjb\\_form/Gas-tools](https://mjbradley.com/mjb_form/Gas-tools).

provides for GHG emissions analysis to inform the next rate filing. This is a valuable step towards centering GHG emissions in gas utility operations and programs.

#### **F. The Joint Proposal Support Efforts to Reduce Natural Gas Use**

The Joint Proposal contains several programs that are important first steps to reducing reliance on natural gas, including through shifting customers off of the gas system. Although these programs will need to be ramped up significantly or otherwise revised in the future to achieve the CLCPA targets, they are an important initial step for National Grid (and the Commission) to gain experience and lay the groundwork for a more comprehensive effort to decarbonize energy end use by mid-century.

National Grid commits in the Joint Proposal to seek to reduce billed gas usage, normalized for temperature, by 0.5% below forecasted non-generator demand each year for the next two years—during Rate Years 2 and 3—through energy efficiency, non-pipes alternatives, and promotion of geothermal and electrification.<sup>46</sup> The Companies will report on progress in semi-annual non-infrastructure filings, and before the end of Rate Year 3 the Companies will submit a report assessing the programs necessary to achieve climate appropriate reductions in billed gas usage in future years. EDF believes that climate appropriate gas usage reductions will need to be substantially more aggressive than 0.5% per year. For example, in the recent Pathways report developed in consultation with Con Edison and National Grid, the City of New York projects that total natural gas demand across all sectors will fall more than 60% by 2050, even under a “low carbon fuels” pathway<sup>47</sup>—and other analyses view a 60% reduction in gas

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<sup>46</sup> Joint Proposal at p75, Part 7.5.

<sup>47</sup> City of New York Mayor’s Office of Sustainability, Con Edison, & National Grid, *Pathways to Carbon-Neutral NYC: Modernize, Reimagine, Reach* at p75 (Apr. 2021), <https://www1.nyc.gov/assets/sustainability/downloads/pdf/publications/Carbon-Neutral-NYC.pdf> (“NYC Pathways Study”).

demand as a conservative estimate.<sup>48</sup> To reduce gas demand by 60% by 2050, National Grid would need to reduce gas demand by at least 2% every year from 2021 to 2050.

Pursuant to the Joint Proposal, National Grid will complete a New Gas Connection Cost Report, assessing the cost of main and service lines for new customers and proposing how all or a portion of those costs could be used instead to incentivize potential applicants—in addition to other federal and state incentives—to pursue thermal options rather than traditional gas service.<sup>49</sup> The Companies will also develop educational materials to inform customers of alternative heating options including air- and ground-source heat pumps and district geothermal heating system; direct prospective customers to external initiatives that provide such alternate heating options, i.e., NYSERDA; and work with New York City and the relevant electric utilities to promote electrification programs.<sup>50</sup> The Companies have already terminated all gas promotional and rebate programs, and will not implement any such programs during the term of the rate plans.<sup>51</sup>

Furthermore, National Grid commits in the Joint Proposal to support deployment of geothermal heating in its service territories and to identify instances where new or existing customers can be diverted to non-pipes alternative projects. Specifically, National Grid will identify planned leak-prone pipe replacement projects that could be avoided by deploying NPAs

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<sup>48</sup> See Energy + Environmental Economics, Presentation: New York State Decarbonization Pathways Analysis, Summary of Draft Findings at Slide 11 (June 24, 2020), <https://climate.ny.gov/-/media/CLCPA/Files/2020-06-24-NYS-Decarbonization-Pathways-CAC-Presentation.pdf>; RMI, E3, et al., Presentation: *Building Decarbonization Policies Preliminary Findings on Impacts and Costs* (Feb. 10, 2021), found at Slide 29, Note 1, of Climate Action Council, Energy Efficiency and Housing Advisory Panel meeting presentation (Feb. 10, 2021), <https://climate.ny.gov/-/media/CLCPA/Files/2021-02-10-Energy-Efficiency-and-Housing-Advisory-Panel-Presentation.pdf>.

<sup>49</sup> Joint Proposal at p83-84, Part 7.5.7.

<sup>50</sup> Joint Proposal at p76-77, Part 7.5.2.

<sup>51</sup> Joint Proposal at p75-76, Part 7.5.1.

such as shared geothermal loops or individual ground or air-source heat pumps, conduct outreach to affected customers to determine customer interest, and issue RFPs for contractors and vendors accordingly.<sup>52</sup> National Grid will seek to prioritize such LPP-to-NPA transition projects in low income and environmental justice communities.<sup>53</sup> For gas service requests that involve a main extension of 500+ feet for 5+ customers, National Grid will conduct a cost & GHG emissions analysis and, if appropriate, contact the customers about NPA alternatives and issue RFPs accordingly.<sup>54</sup>

These are the types of projects that will likely need to be scaled up in the years to come to achieve the GHG emission reduction targets of the CLCPA and Local Law 97. Initiating the projects detailed above through this Joint Proposal will begin to decarbonize the gas system and yield valuable information about the potential cost savings of avoiding new gas connections, as well as valuable experience with community outreach regarding NPA alternatives. EDF looks forward to supporting these initiatives by National Grid during the rate term and understanding the lessons learned to improve and expand such projects going forward.

The Joint Proposal's emphasis on seeking to replace leak-prone pipe with non-pipeline alternative projects in low income and environmental justice communities is particularly important. The White House Environmental Justice Advisory Council recently issued recommendations emphasizing the importance of bringing clean energy benefits—including investment in electrification, energy efficiency, and green infrastructure—to frontline communities, and stating that infrastructure investments and repairs to extend the lifespan of

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<sup>52</sup> Joint Proposal at p79-80, Part 7.5.5(b).

<sup>53</sup> Joint Proposal at p81, Part 7.5.5(c).

<sup>54</sup> Joint Proposal at p80, Part 7.5.5(c).

fossil fuel infrastructure are the types of projects that will *not* benefit a frontline community.<sup>55</sup>

National Grid should seek to identify community partners that can help with education and outreach efforts regarding the benefits of non-pipes alternative projects in low income and environmental justice communities. For example, WE ACT for Environmental Justice is leading the Out of Gas, In with Justice pilot project in Northern Manhattan (in conjunction with partners at the Columbia University Mailman School of Public Health and Berkeley Air Monitoring) to replace gas stoves with induction stoves and install air-source heat pumps in affordable housing homes.<sup>56</sup> Although not within National Grid's service territory, there may be feedback from that project (or other such efforts) that could inform National Grid's implementation of this element of the Joint Proposal.

The Joint Proposal states that “[a]ny proposal for a program or project involving utility ownership of non-gas infrastructure or equipment (e.g., thermal loop fields and heat pumps) must receive further and specific Commission approval prior to recovery of costs in gas distribution rates (for example, through a petition).”<sup>57</sup> There is currently a lack of clarity around the ability of gas utilities to own non-pipeline, non-gas infrastructure such as shared geothermal loop facilities, and the Joint Proposal does not resolve this outstanding issue. The Commission will need to resolve this issue in the near future, so that geothermal and other NPA conversion programs can be undertaken by the appropriate actor. The Commission should consider that gas utilities are likely to be more motivated to pursue such projects—which are an element of the overall

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<sup>55</sup> White House Environmental Justice Advisory Council, Final Recommendations: Justice40, Climate and Economic Justice Screening Tool, & Executive Order 12898 Revisions at p41, 59 (May 21, 2021), <https://www.epa.gov/sites/production/files/2021-05/documents/whiteh2.pdf>.

<sup>56</sup> WE ACT for Environmental Justice, Better Buildings NY – Out of Gas, In With Justice, <https://www.weact.org/campaigns/better-buildings-ny/> (last accessed June 1, 2021).

<sup>57</sup> Joint Proposal at p80, Part 7.5.5(c).

strategy to decarbonize the gas system—if there is a clear pathway for utility ownership of the geothermal infrastructure.<sup>58</sup>

### III. CONCLUSION

There is an outstanding and urgent need to align gas utility operations with the CLCPA and New York City Local Law 97, and the National Grid Joint Proposal represents an important step in the right direction. The Joint Proposal contains provisions to reduce large methane leaks from the distribution system, plan for changes to utility operations and depreciation to align with climate law, establish procedures so that new gas capacity is viewed as a last resort, and reduce gas usage by enhancing energy efficiency and promoting non-pipe alternative solutions. Building on these provisions of the Joint Proposal, however, significant additional changes will be required by National Grid in the coming years to decarbonize the gas distribution system. The Commission’s open proceeding to establish new standards for gas utility planning that align with the CLCPA, as well as climate policies in development by the Climate Action Council and NYSERDA, will serve to further guide National Grid’s operations, programs, and investments in the years to come.

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<sup>58</sup> See, e.g., *Petition of NSTAR Gas Company doing business as Eversource Energy for Approval of a General Increase in Base Distribution Rates for Gas Service and a Performance Based Ratemaking Mechanism*, Massachusetts D.P.U. 19-120 at page 139 (Oct. 30, 2020) (approving Eversource’s petition to own and operate a geothermal network and finding that the intent of the proposal is consistent with Massachusetts’ climate law and policies).

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