

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

CASE 20-G-0131 - Proceeding on Motion of the Commission in
Regard to Gas Planning Procedures.

NOTICE SEEKING FURTHER COMMENTS

(Issued July 3, 2024)

In its Order Adopting Gas System Planning Process, issued on May 12, 2022, in the above-captioned proceeding, the Public Service Commission (Commission) directed Consolidated Edison Company of New York, Inc. (Con Edison); The Brooklyn Union Gas Company d/b/a National Grid NY, KeySpan Gas East Corporation d/b/a National Grid, and Niagara Mohawk Power Corporation d/b/a National Grid (collectively, National Grid); Orange and Rockland Utilities, Inc. (Orange and Rockland); Central Hudson Gas & Electric Corporation (Central Hudson); New York State Electric & Gas Corporation (NYSEG); Rochester Gas and Electric Corporation (RG&E); National Fuel Gas Distribution Corporation (NFGDC); Liberty Utilities (St. Lawrence Gas) Corp. (Liberty SLG); and Corning Natural Gas Corporation (Corning) (collectively, the local gas distribution companies or LDCs) to submit proposals for the following three parts of a non-pipes alternative (NPA) framework: criteria for NPA screening and suitability, cost recovery procedures, and an incentive mechanism.¹ On August 9 and 10, 2022, the LDCs filed their proposals for NPA screening and suitability criteria individually and filed jointly their proposals for non-pipe

¹ Case 20-G-0131, Order Adopting Gas System Planning Process (issued May 12, 2022), p. 66.

alternative incentive mechanism and cost recovery procedures.² Based on the Department of Public Service staff's (Staff) review of the proposals and the comments received in this proceeding, Staff has determined that more information from LDCs and stakeholders will assist it in developing a comprehensive NPA framework proposal for stakeholder comment and Commission consideration. Appended to this Notice are three sets of questions, prepared by Staff, and directed towards LDCs, non-LDC stakeholders, and all stakeholders. However, all interested entities are encouraged to provide comments responding to all questions, where applicable.

PLEASE TAKE NOTICE that comments responding to the questions appended hereto are requested by **September 27, 2024**. Comments should be submitted electronically, by going to www.dps.ny.gov, clicking on "File Search" (located under the heading "Commission Files"), entering "20-G-0131" in the "Search by Case Number" field, and then clicking on the "Post Comments" box located at the top of the page. Those unable to file electronically may mail their comments to the Hon. Michelle L. Phillips, Secretary, New York State Public Service Commission,

² Case 20-G-0131, Corning Proposals for Non-Pipe Alternative Screening and Suitability Criteria (filed August 09, 2022); Liberty SLG Proposals for NPA Screening and Suitability Criteria (filed August 10, 2022); NYSEG-RGE NPA Screening and Suitability Criteria Filing (filed August 10, 2022); National Grid NPA Screening and Suitability Criteria Filing (filed August 10, 2022); Orange and Rockland Proposals for Non-Pipe Alternative Screening and Suitability Criteria (filed August 10, 2022); Con Edison Proposals for Non-Pipe Alternative Screening and Suitability Criteria (filed August 10, 2022); NFGDC Proposals for NPA Screening and Suitability Criteria (filed August 10, 2022); Central Hudson NPA Suitability and Screening Criteria Filing (filed August 10, 2022); and Joint LDCs' Proposals for Non-pipe Alternative Incentive Mechanism and Cost Recovery Procedures (filed August 10, 2022).

Three Empire State Plaza, Albany, New York, 12223-1350.³ The filed comments will be posted on the Department's website and will be included in the record of this proceeding.

(SIGNED)

MICHELLE L. PHILLIPS
Secretary

³ Filing electronically is strongly encouraged.

STAFF QUESTIONS

FOR LOCAL DISTRIBUTION COMPANIES (LDCs):

1. How many line extensions, including total length, for the purpose of attaching new customers did you perform in 2022 and 2023?
2. How many segments of leak prone pipe (LPP) did you replace in 2022 and 2023 and what was their total footage?
3. How many segments of LPP did you retire without replacement in 2022 and 2023 and what was the total footage? Specify in your answer how many retired LPP segments resulted in the installation of new lines elsewhere.
4. Of the LPP segments replaced or retired in each of 2022 and 2023, how many segments had active leaks that were Type 1, 2, or 2a, as defined by the Commission's pipeline safety regulations? Of the LPP segments replaced or retired, how many were in the top 100 of your risk ranking algorithm of pipeline segments? If your company had fewer than 100 segments of LPP to be replaced, provide the entire list of segments replaced or retired.
5. How many distribution regulators did you install or upgrade in response to load growth? How many distribution regulators did you install for purposes of maintaining reliability?
6. In addition to the extension of mains and installation of distribution regulators, did you complete any other infrastructure additions to accommodate load growth from new or existing customers, including those converting from other fuels? Did you complete any infrastructure additions to preserve reliability? If so, provide a list of any types of additions made.
7. Indicate the minimum, maximum, and average cost of items identified in the responses to questions 1, 2, 3, 4, 5 and 6.
8. For all other infrastructure additions you undertook in 2022 and 2023 - that is, additions not focused on new or expanded load and beyond those identified in response to questions 1, 2, 4, 5, and 6 - indicate the types of additions made, the number of each type, and the average and total cost of each type.
9. How do you differentiate, from a planning perspective, between reliability projects, load growth projects, and projects that address both reliability and load growth? Are there different lead times for in-service dates for reliability, load growth, and a combination of the two?

10. How would you solicit proposals for a non-pipe alternative (NPA) that could delay the need for a reliability project, load growth project, combination project, or the need to declare a future moratorium? Would this entail substantially longer lead times to ensure a high-quality solicitation and implementation without endangering reliability? If so, how much longer?
11. Are there differences in the performance standards for NPAs that address reliability relative to projects that respond to load growth only? Be specific in the proposed performance standards. Should there be a performance penalty on an NPA provider, characterized by financial assurances high enough to ensure that reliability and combination project NPAs perform based on a set of operational expectations? If yes, what do you propose the penalties be, and be specific in the proposed performance penalties.
12. For reliability projects, how do you differentiate between an imminent need, a need that does not vary with changes in customer demand, and a need that does vary based on customer demand.
13. Approximately how long, from identification of need (through hydraulic modeling, demand forecasting, or other engineering analysis) to completion, does it take to develop a typical infrastructure project to address load growth?
14. Describe what community outreach you have conducted and feedback you have received prior to completing the design for a typical infrastructure addition meant to address load growth. Include all outreach to local elected officials, municipalities, and community groups.
15. If your LDC is part of a combination company, describe the interaction you (the gas business) have with your electric business when developing and weighing alternative solutions to natural gas load growth. What options have you developed jointly and evaluated on a comparative basis?
16. If your LDC is not a combination company, describe the interaction you have with the electric utility or utilities providing electric service in your service area regarding the development of possible alternative solutions to natural gas load growth. Provide examples.
17. Recognizing the limitations regarding access to information about critical infrastructure, what share of your LDC's underground gas distribution system is available in a Graphical Information System (GIS) to employees of your LDC or contractors engaged by you? What operating standards are followed in collecting, mapping, and securing the information

currently available in a GIS? What general information about the system is provided in the GIS? What plans are in place to map 100% of the gas LDC distribution system?

18. Describe the methodology used by the gas LDC for hydraulic modeling including the name of any software used. When was the process last updated and how often is the process updated? How often is the model data updated? What triggers the need to update the modelling methodology?
19. What are the three largest barriers to identification and completion of NPAs in your service territory? List them in order of how much of a barrier each represents and note whether and how they interact with one another.
20. Do LDCs and/or LDC personnel have the appropriate incentives to pursue NPAs? If not, what incentives are missing (or disincentives are present) that might be added (removed)? Are there appropriate incentives separately for capital expenditures (capex) and operation and maintenance (opex) costs? Explain how incentives that target either capex, opex, and/or supply costs would be in the public interest.
21. Are there particular examples of NPAs - whether proposed or actually developed - that provide benefits that are difficult to quantify in terms of ensuring system reliability compared to other solutions?

FOR NON-LDC STAKEHOLDERS:

22. Have you or any group you are affiliated with actively suggested or discussed NPAs with an LDC? If so, in what way did you submit your suggestion (e.g., in the context of a rate case, one-on-one interaction with the LDC), what response did you receive, and what was the outcome?
23. What criteria makes a particular area of an LDC's service territory favorable for an NPA? What information is required to determine if a particular geographic area, cluster of customers, customer class, or use of natural gas is suitable for an NPA? Be specific in what would make an NPA especially beneficial in those locations, for a group of customers, or customer class. How should those benefits be measured?
24. What are the largest barriers to developing NPAs as an alternative to investing in gas distribution infrastructure?
25. Does the current Benefit-Cost Analysis (BCA) framework undervalue alternatives to traditional infrastructure? If so, what changes, and/or additional data, tests or measures could supplement the BCA framework to improve the analysis?

FOR All STAKEHOLDERS (LDCs AND OTHERS):

26. What sort of process, if any, should be available for a customer, group of customers, municipality, town, or other entity to propose a managed transition towards full electrification from traditional utility gas service? What set of information is necessary to compile a complete proposal? What information should LDCs make available to customers regarding who might wish to develop such a proposal? How far in advance is the information needed? Do interested stakeholders need professional assistance in developing proposals? In your response, be as detailed as possible about the type and granularity of data needed from the LDC, including data related to time-to-construction, how the LDC can confirm the participants, etc.
27. How should NPA Suitability and Screening Criteria be applied by an LDC seeking to justify development of a gas transmission or distribution project?
 - a. Should an LDC be required to identify all projects in its current capital plan that meet the NPA Suitability and Screening Criteria, including when a NPA solicitation will likely be issued for those projects? What information about these projects and associated NPAs should be provided?
 - b. Should an LDC include NPA Suitability and Screening Criteria information as part of the rate case process? For example, should an LDC include such information in capital expenditure workpapers, and, as part of the justification for traditional utility plant, explain the process and decision to move forward with a traditional project or NPA for projects that pass the Suitability and Screening Criteria?
 - c. How should NPA Suitability and Screening Criteria be a standard part of each LDC's gas system long-term plan, and thus be reviewed, updated, and approved as appropriate?
 - d. What is the most efficient and effective process to update the NPA Suitability and Screening Criteria?
28. Should an LDC's NPA solicitations involve proactive outreach to local municipalities and/or public interest groups about how NPAs in particular areas might be designed to help meet public policy objectives? Are there specific elements of outreach and communication, including specified timeframes, that should be standardized to effectuate the best outcome for ratepayers?

29. How should an LDC communicate eligibility requirements, or restrictions, to potential NPA providers in NPA solicitations?
30. Should information about projects that meet NPA Suitability and Screening Criteria be made available in a common, publicly accessible repository as well as on the website of the LDC in whose service territory the NPA might be developed? What entity should maintain that common repository? How often should it be updated?
31. If an LDC develops an NPA that enables complete avoidance (i.e., not just deferral) of replacement of an LPP segment, should the LDC be allowed to recover costs up to the total cost of that LPP segment's replacement but no higher? If the LDC should instead be allowed to recover more than that amount, explain what the proper amount should be and why.
32. If an LDC proposes an NPA that would enable deferral but not necessarily complete avoidance of LPP segment replacement, how should the deferral be valued and what costs should the LDC be authorized to recover? How should incentives be structured and what cost elements associated with new or expanded service should be included? Should such an incentive structure also include revenues or consider upward or downward pressure on rates? Be as specific as possible and identify how that incentive structure benefits ratepayers.
33. For the purpose of valuing an NPA, should the assumed amortization period for the non-NPA solution to which the NPA is compared be the shorter of the solution's engineering useful life or 2050, i.e., the year set by the CLCPA for the reduction of economywide emissions to net zero?
34. How should the quantity of expected emissions reduction resulting from an NPA be estimated? Should that quantity be valued using the Social Cost of Carbon recommended by the Department of Environmental Conservation, by the allowance price assigned by the New York Cap and Invest program, or in some other way?
35. Should all current gas customers fund all NPA incentives to avoid new customer connections?
36. Should there be a threshold below which a project which avoids extending gas service should not be designated as an NPA?
37. The Commission received very few comments in response to the JLDC's filing regarding the share of net benefits that should be provided to the LDC as an incentive and an appropriate cap on the amount of that incentive. Staff

requests additional comments on the specifics and merits of the JLDC proposal including, but not limited to:

- a. Should the share of net benefits allocated to shareholders/ratepayers match the 30%/70% allocation established for non-wires alternatives?
 - b. Should net benefits consider the full revenue requirement of a project, environmental externality values, or both?
 - c. How should an LDC calculate a cap on the total net benefits? For example, should a cap only apply to environmental externalities but not to the deferred or eliminated revenue requirement for capital projects? If a cap only applies to environmental externality values, should that cap be a percentage of the total environmental externality value?
38. Should the recovery of NPA costs and any applicable incentives during the term of an LDC's gas rate plan be collected through some type of monthly distribution rate surcharge until such costs are incorporated into base rates when base gas delivery rates are next reset? Alternatively, should NPA costs be deferred, i.e., treated as a regulatory asset, until such time that they are reflected in base rates when the LDC's rates are next reset. Explain how your recommendation best benefits ratepayers and provide specific details supporting your explanation.
39. What should be the amortization period for NPAs that fully eliminate the need for an infrastructure project? Explain how your recommendation is best for ratepayers and provide specific details supporting your explanation.
40. Are there any infrastructure projects that should not be considered for NPA treatment? Please provide specific examples.