



May 31, 2019

**VIA ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

Re: Docket 4816 – Gas Long-Range Resource and Requirements Plan for the Forecast Period  
2017/18 to 2026/27

Dear Ms. Massaro:

The Environmental Defense Fund (“EDF”) appreciates the opportunity to submit the following public comments to the Rhode Island Public Utilities Commission (“PUC”) in support of the Joint Memorandum filed by Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”) and the Division of Public Utilities and Carriers (“Division”) on February 20, 2019 in the above-captioned proceeding.

**I. Relevant Background**

The Division’s September 24, 2018 Letter to the PUC outlined the need for several adjustments between the review of the Long Range Gas Supply Plan (“LRP”) and the request for cost recovery in the Gas Cost Recovery (“GCR”) reconciliation. On October 30, 2018, the PUC ordered National Grid and the Division to submit a Joint Memorandum in Docket No. 4816 outlining each of their recommendations for improving the LRP as it relates to the annual GCR proceeding. National Grid and the Division submitted a Joint Memorandum on February 20, 2019, outlining the following potential solutions:

- (1) The LRP filing should take place after the winter period, using the same forecasts that will be used for the GCR docket in that year;
- (2) The LRP should no longer be limited to a foundation for planning that shows how the Company plans, but should also include concrete information about how the Company is planning to address supply and capacity needs over the five-year period;
- (3) The LRP should be subject to approval by the PUC;
- (4) If there is a material change to the LRP after approval, the Company should be required to make a supplemental filing with the PUC with notice to the Division;

(5) A new requirement should be established through which the Company is required to seek advance approval through a filing and proceeding at the PUC for long-term commitments that meet certain triggering criteria relating to the net present value of the cost and term of commitment; and

(6) To the extent that the larger-impact commitments are addressed through the new preapproval process and the official approval of the LRP, this should reduce the number of litigated issues that occur in the GCR. In other words, the GCR should become a proceeding that effectively reconciles costs from known and supported commitments, rather than first-impression review of decisions that create an “all-or-nothing” financial risk for either the Company or customers.

## **II. 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 grid so that it can support the ongoing deployment of renewable energy resources and energy efficiency. EDF works collaboratively with market participants sharing these goals.

EDF’s work on gas supply issues at the national level has revealed that the same concerns raised by the Division’s September 24, 2018 Letter permeate other jurisdictions. Significant infrastructure decisions are being made before state regulators have an opportunity to assess whether it is prudent for gas utilities to take service from affiliate pipeline developers.<sup>1</sup> Gas supply decisions are made behind closed doors, and there is no required approval of long-term gas supply plans and little opportunity for interested stakeholders to provide input.<sup>2</sup> And, while the prevalence of non-pipeline alternatives is increasing, these types of solutions are not being integrated into utilities’ formal planning and needs assessments or being compared to traditional solutions on an apples-to-apples basis.<sup>3</sup>

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<sup>1</sup> See, e.g., *Spire STL Pipeline LLC*, Docket No. CP17-40, Request for Rehearing of the Environmental Defense Fund (September 4, 2018) (explaining that FERC’s failure to review the affiliate precedent agreement diminishes the means and tools for state commission review, biasing the outcome).

<sup>2</sup> See, e.g., *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 No. 19-G-0080, Comments of the Environmental Defense Fund at 10-12 (February 28, 2019) (detailing a set of recommendations to address the deficiencies in Con Edison’s gas supply planning).

<sup>3</sup> See, e.g., *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Niagara Mohawk Power Corporation d/b/a Niagara Mohawk for Gas Service*, Case No. 17-G-0239, Comments of the Environmental Defense Fund (May 1, 2019).

### **III. Comments**

#### **A. The Joint Memorandum Presents Thoughtful and Needed Refinements to the Gas Supply Planning Process Which Will Serve the Public Interest**

The Division's September 24, 2018 Letter to the PUC requested a more granular review of the LRP, expressing concern regarding the substantial increase in fixed-cost commitments and the absence of any consideration of demand-side resource potential, among other issues. The Letter also observes that "[t]his is a very different market than what was in existence over the past two decades." Indeed, the current regulatory structures and processes did not contemplate the significant changes that have impacted the natural gas market, particularly within the last decade. Due in part to the cost advantages created by abundant shale gas supply,<sup>4</sup> natural gas fired power plants are now the dominant source of electric power in the U.S.<sup>5</sup> Other drivers of change include the development of new technologies, evolving customer expectations, and state policy goals advancing sustainability and directing greenhouse gas emission reductions.<sup>6</sup> These transformations have impacted the gas supply portfolio decisions of Local Distribution Companies and underscore the need for updates and refinements to the current gas supply planning processes and requirements.

The Joint Memorandum presents a thoughtful solution to the deficiencies identified above. Most critically, it requires PUC approval of the LRP and would require concrete information about how the Company is planning to address supply and capacity needs over a five-year period. This requirement serves the public interest by ensuring that gas supply decisions are not simply being made in a vacuum, but rather are robustly supported with data and analysis so that the Commission and interested stakeholders understand the available alternatives and the trade-offs involved with each. The requirement to seek advance approval for long-term commitments will help protect customers from unreasonable financial risk and protect the Company against the prudency risk of after-the-fact regulatory challenges. Finally, the annual GCR filing will reflect the final costs and volumes that are derived from the annual LRP filings, ensuring transparency and accountability. This process would also ensure a more thorough framework for consideration of alternatives that would have lower all-in costs to customers. For

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<sup>4</sup> U.S. Energy Information Administration, International Energy Outlook 2017 at 56 (September 14, 2017) ("Shale resource development accounts for 50% of U.S. natural gas production in 2015, increasing to nearly 70% in 2040...."), [https://www.eia.gov/outlooks/ieo/pdf/0484\(2017\).pdf](https://www.eia.gov/outlooks/ieo/pdf/0484(2017).pdf).

<sup>5</sup> Whereas electric generators were the smallest sector for natural gas demand in 1988, they now have become the largest. North American Electric Reliability Corporation, 2011 Special Reliability Assessment: A Primer of the Natural Gas and Electric Power Interdependency in the United States at 43 (December 2011), [http://www.nerc.com/files/gas\\_electric\\_interdependencies\\_phase\\_i.pdf](http://www.nerc.com/files/gas_electric_interdependencies_phase_i.pdf).

<sup>6</sup> *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Gas Service*, Case No. 19-G-0066, Gas Policy Panel Testimony at pages 26-27 (January 31, 2019).

these very reasons, EDF's witness recently recommended similar refinements to New York's gas supply planning process, citing the Joint Memorandum as an important model.<sup>7</sup>

#### **B. The Joint Memorandum Delineates a Critical Role for the PUC and Division**

EDF's national work on gas supply planning issues has highlighted the crucial role of state commissions and their staff in ensuring the justness and reasonableness of gas supply planning requirements and the resulting rates. In the absence of a sufficiently robust planning framework and rigorous oversight, states face challenges resulting from the costs of unnecessary excess pipeline capacity, reliance on moratoria for planning management as opposed to a tool of last resort, and looming disharmony between ambitious state climate goals and natural gas policies incentivizing increase use and utilization of natural gas infrastructure. The robust role of the PUC and Division in reviewing the natural gas supply plans of the Company will help manage and avert such challenges and will serve to benefit the public interest.

#### **IV. Conclusion**

Wherefore, the Environmental Defense Fund respectfully requests that the Commission consider the foregoing comments in taking any action in this docket.

Dated: May 31, 2019

Respectfully submitted,



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<sup>7</sup> *Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company for Gas Service*, Case No. 19-G-0066, Direct Testimony of Gregory Lander on Behalf of Environmental Defense Fund (May 24, 2019) (including the Joint Memorandum as Exhibit GL-8).