



# The Commonwealth of Massachusetts

---

## DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 20-80

October 29, 2020

Investigation by the Department of Public Utilities on its own Motion into the role of gas local distribution companies as the Commonwealth achieves its target 2050 climate goals.

---

VOTE AND ORDER OPENING INVESTIGATION

## I. INTRODUCTION

The Department of Public Utilities (“Department”) opens this inquiry to examine the role of Massachusetts gas local distribution companies (“LDCs”) in helping the Commonwealth to achieve its 2050 climate goals. Specifically, we will explore strategies to enable the Commonwealth to move into its net-zero greenhouse gas (“GHG”) emissions energy future while simultaneously safeguarding ratepayer interests; ensuring safe, reliable, and cost-effective natural gas service; and potentially recasting the role of LDCs in the Commonwealth.

The future of the natural gas industry has been a topic of interest for many stakeholders. On April 22, 2020, the Baker-Polito Administration announced that it is reasonable and appropriate to establish a net-zero emissions target by 2050, in order to adequately protect the health, economy, people, and natural resources of the Commonwealth and to maintain Massachusetts’ critically important role as a national and international leader in the global effort to reduce the GHG emissions that cause climate change. Executive Office of Energy and Environmental Affairs (“EEA”) Determination of Statewide Emissions Limit for 2050 (April 22, 2020), available at: <https://www.mass.gov/doc/final-signed-letter-of-determination-for-2050-emissions-limit/download> (last visited October 20, 2020). As noted in the 2015 update to the Commonwealth’s Clean Energy and Climate Plan (“CECP”) for 2020<sup>1</sup> the building sector must make sizeable reductions in its use of fossil fuels to achieve the

---

<sup>1</sup> EEA prepares a CECP every five years, beginning in 2010. The CECP sets forth a policy roadmap for the Commonwealth to meet the GHG emissions limit by 2050.

Commonwealth's mandated GHG emissions limit. See 2015 Update to CECP for 2020 (December 31, 2015), available at: <https://www.mass.gov/doc/clean-energy-and-climate-plan-for-2020/download> (last visited October 20, 2020). This transition requires the Department to consider new policies and structures that would protect ratepayers as the Commonwealth reduces its reliance on natural gas, and it may require LDCs to make significant changes to their planning processes and business models.

On June 4, 2020, the Attorney General of the Commonwealth of Massachusetts ("Attorney General") filed a petition with the Department requesting that the Department open an investigation to assess the future of LDCs' operations and planning in light of the Commonwealth's target of net-zero GHG emissions by 2050 (Attorney General Petition at 1, citing Global Warming Solutions Act, St. 2008, c. 298 ("GWSA"); EEA Determination of Statewide Emissions Limit for 2050 (April 22, 2020); State of the State Address (January 21, 2020)).<sup>2</sup> In her Petition, the Attorney General suggests that the Department take the following steps: (1) examine the gas distribution industry, regulatory, and policy changes needed to support the achievement of the Commonwealth's mandated GHG emissions limits; and (2) determine what near- and long-term adjustments are necessary to maintain a safe and reliable gas distribution system and protect consumer interests as the Commonwealth transitions from fossil fuels to a clean, increasingly electrified, and decarbonized energy future by 2050 (Attorney General Petition at 3).

---

<sup>2</sup> The Department will address issues raised by the Attorney General's Petition in this docket.

The Department is also aware that EEA, in consultation with the Massachusetts Department of Environmental Protection (“MassDEP”) and the Massachusetts Department of Energy Resources (“DOER”), is presently evaluating potential pathways to achieving the Commonwealth’s 2050 GWSA statewide net-zero emissions limit and is developing a “2050 Decarbonization Roadmap.” See EEA Determination of Statewide Emissions Limit for 2050 (April 22, 2020); G.L. c. 21N, §§ 3, 4; Massachusetts 2050 Roadmap, available at: <https://www.mass.gov/info-details/ma-decarbonization-roadmap> (last visited October 20, 2020). EEA is also preparing its CECP for 2030. See G.L. c. 21N, §§ 3, 4. The Department anticipates that the 2050 Decarbonization Roadmap and the 2030 CECP (together, the “Roadmaps”) will set forth additional policies that may impact ratepayers, LDCs, and the gas industry, as a whole.

Accordingly, based on these developments, the Department determines that it is appropriate to open this proceeding with a focus, at this time, on the LDCs’ role in the Commonwealth’s achievement of its target 2050 climate goals. The Roadmaps are expected to be published in December 2020, and they will help inform the Department’s examination of these important and complex matters.<sup>3</sup>

---

<sup>3</sup> The Department anticipates that the Roadmaps will identify strategies for the energy industry as a whole, and we further acknowledge that the Roadmaps’ recommendations regarding the gas industry may also affect the electric distribution companies. The Department will address this effect when appropriate and will solicit input from electric distribution companies at that time.

## II. SCOPE OF PROCEEDING

Through this proceeding the Department will solicit utility and stakeholder input and develop a regulatory and policy roadmap to guide the evolution of the gas distribution industry, while providing ratepayer protection and helping the Commonwealth achieve its goal of net-zero GHG emissions energy. The Department anticipates that the Roadmaps will identify strategies to help accomplish this task. For all identified pathways, the Department will endeavor to determine whether and how the LDCs can implement each pathway in a cost-effective way with a continued focus on safe and reliable service to their ratepayers. To ensure a thorough and complete investigation, the Department will also require the LDCs to work with an independent consultant that will identify potential additional strategies not included in the Roadmaps. In addition, the Department will need to analyze the policy initiatives proposed in the Roadmaps and investigate the feasibility of implementing any policies the Department may adopt, including any legislative barriers to implementation.

Each LDC is distinct and has different capabilities and limitations within its own service territory. An independent analysis of each LDC is integral to conducting a thorough and complete investigation. Therefore, while the Department awaits the release of the Roadmaps, we direct the LDCs to initiate a joint request for proposals (“RFP”) for an independent consultant to conduct a study and prepare a report within the parameters discussed herein. The RFP process is discussed in Section III, below. The Department recognizes that the comprehensive analysis the Department seeks may require the retention of

multiple consulting firms to fulfill this directive, but it is the Department's intention to avoid contrasting assumptions and data that result in conflicting analysis.

The independent consultant(s) ultimately selected should be ready to review the Roadmaps, identify any pathways not examined in the Roadmaps, and perform a detailed study of each LDC that analyzes the feasibility of all pathways. In this regard, the Department expects a complete, comprehensive analysis of each LDC regardless of the size of an LDC. Those individual analyses must then be integrated into one, collective report that performs meaningful comparisons among the LDCs (the "Report"). For the purpose of this analysis, the LDCs must ensure that the independent consultant uses, or the multiple consultants use, consistent methods and considerations for all the individual LDC analyses. This will facilitate an over-arching inquiry that compares and contrasts the implications of proposed policies upon each LDC and upon the LDCs as a whole and results in meaningful discussions and recommendations.

For each pathway proposed in the Roadmaps and separately identified by the independent consultant(s), the independent consultant(s) will:

- (1) Present a forecast, estimate, or other quantification of the costs and actual economy-wide GHG emissions reductions involved in transitioning the natural gas system. The evaluation of costs shall include the following: (a) a discussion of possible mechanisms, methodologies, or policies to address the recovery of cost or responsibility for cost incurrence, as well as mitigation of costs and impacts for customers, particularly low-income customers; (b) a forecast, estimate, or other quantification of the electrification strategies, as well as other strategies identified through the analysis; and (c) for each electrification strategy, a transparent depiction of key assumptions used in the analysis and a calculation of GHG emissions reductions, inclusive of GHG emissions from generation sources.

- (2) Present a discussion of qualitative factors such as impacts on public safety, reliability, economic development, equity, emissions reductions, and timing.
- (3) Develop proposed recommendations to reduce GHG emissions from the sale and distribution of natural gas to meet applicable goals in relation to the Roadmaps, with specific initiatives, actions, and interim milestones.

On or before March 1, 2022, we direct each LDC to submit a proposal to the Department that includes the LDC's recommendations and plans for helping the Commonwealth achieve its 2050 climate goals, supported by the Report. With their proposals, the LDCs must submit the Report, analysis, and supporting data to the Department for review. Prior to filing the Report and the LDCs' proposals, the LDCs shall engage in a stakeholder process to solicit feedback and advice on both the Report and the proposals. The Department intends to provide an opportunity for stakeholder comments on the LDCs' proposals. We direct the LDCs to submit a status update on their retention of the independent consultant(s) and progress to date on or before March 1, 2021. We further direct the LDCs to submit a second status update on the progress to date of the independent consultant(s) on or before September 1, 2021.

### III. INDEPENDENT CONSULTANT SELECTION

The LDCs are jointly responsible for developing and issuing an RFP for the independent consultant(s) consistent with the directives set forth in this Order. The LDCs shall develop the scope of work to be included in the RFP, after consultation with the Attorney General, DOER, and other interested stakeholders. The LDCs are responsible for issuing an RFP and selecting the independent consultant(s) consistent with the directives above. The LDCs shall be responsible for all costs and expenses associated with retaining

the independent consultant(s).<sup>4</sup> The RFP process shall be conducted so as to allow for the commencement of the work upon the issuance of the Roadmaps, or if issued on different days, whenever the first of the Roadmaps is issued.

#### IV. ORDER

Accordingly, the Department

VOTES: To open an investigation into the potential policies by which the Commonwealth will achieve its net-zero greenhouse gas emissions energy goal and the role of the Massachusetts natural gas industry in helping the Commonwealth move into its energy future; and it is

ORDERED: That the Secretary of the Department shall send a copy of this Order to each natural gas local distribution company subject to the jurisdiction of the Department under G.L. c. 164, and to the service lists in 2019-2021 Gas Three-Year Energy Efficiency Plans, D.P.U. 18-110 through D.P.U. 18-115; 2020 Gas System Enhancement Plans, D.P.U. 19-GSEP-01 through D.P.U. 19-GSEP-06; and 2020-2021 Local Distribution Gas Adjustment Factor and Peak Cost of Gas Adjustment Factor Filings, D.P.U. 20-GAF-P1 through D.P.U. 20-GAF-P8; and it is

---

<sup>4</sup> The costs and expenses shall be charged to the LDCs on a pro rata share based on each LDC's intrastate operating revenues as shown in its Annual Return currently on file with the Department for the year ending December 31, 2019. See Margin Sharing, D.P.U. 10-62-A at 8-9 (2013).

