Future of Gas Oversight

Testimony of Acadia Center

April 4, 2022

Good morning, everyone. I want to thank Chair Creem and the committee for allowing me the opportunity to speak today.

My name is Amy Boyd – I am Director of Policy for Acadia Center, a nonprofit research and advocacy organization working to advance bold, effective, and equitable clean energy solutions. I'm grateful that this committee has taken up the question of what must change to enable a clean energy future for Massachusetts, in line with the 2030, 2040, and 2050 greenhouse gas reduction mandates.

Acadia Center has worked for years to imagine what that clean energy future looks like and the question of how we're going to heat our buildings and what utility infrastructure we will need to accomplish decarbonized heating is indeed a big question, deserving of the legislature's attention. The gas utilities are currently deciding the future of climate in the Commonwealth. You'll hear a lot today about the good and bad of the DPU 20-80 stakeholder process and the local gas distribution companies (LDCs) proposals. But I want to talk about two much more foundational issues – both of which the legislature could have a significant hand in shaping. The first is how our utility systems get planned (and the fundamental question of whether the entity with the most financial stake in the outcome of plans should be the arbiter of what gets built); and the second is how we pay for our energy (and whether a financial framework that won't work without constant growth is appropriate for an era in which we all agree we need to use less).

The Need for Statewide, Comprehensive, Independent Planning

As Acadia Center pointed out in our RESPECT publication ("Reforming Energy System Planning for Equity and Climate Transformation") – the traditional (and current) utility planning and regulatory oversight structure has 3 significant problems: 1) planning is siloed between electric and gas utilities, which causes overspending, reduced reliability and resilience, and more climate pollution: 2) current planning processes ignore equity and environmental justice; and 3) utilities will not plan against their financial interests, even with performance incentives. RESPECT offers two overarching solutions: 1) comprehensive planning that considers supply and demand-side resources, customers energy capacity and thermal needs and climate requirements and environmental justice impacts for all fuels across the state; and 2) separating planners and owners by creating statewide planning entities that can look for solutions beyond utility boundaries and across fuels. It leaves the utilities free to focus their efforts on business development in alignment with climate and equity mandates.

In the DPU 20-80 process, what we have is more of the same: the DPU has asked the utilities to outline how they would do some high-level planning looking at the intersection between gas and electric territories, and there is some cross-fuel planning if the utility happens to own both businesses. But for the most part, the LDCs propose to try out some geomicrodistricts (which we support), install heat pumps through the energy efficiency programs (which we support), and find some other fuel to put in their pipes. Neither the LDCs nor the DPU is looking at the larger picture of the whole state – partly because they're not allowed to. Instead, the LDCs followed their financial interests. They figured out more ways to keep putting more money into their system, even if it's only used a few days a year, and even if the gas substitutes they propose to use are far more expensive and carbon intensive, once you consider modeling assumptions that stakeholders pointed out – but the LDCs' consultants largely ignored.

We can do this better. The legislature can create, empower, and fund a RESPECT planning office within the DPU.

Need for Real Process on How We Pay for Heat

The legislature helped to establish the current regulatory framework – which is built to support the LDCs traditional business model, grounded in maintaining and growing the throughput of fossil gas, investments in the delivery system, and distribution revenues. It all rests on the assumption that the unit cost of fossil gas can stay relatively constant if the increases in volumetric sales outpace the investment costs.

When the AGO asked the DPU to convene this docket in June 2020, she noted that "this [transition] will require the LDCs to make significant changes to their planning processes and business model." But they haven't, really. The LDCs are asking the Department for tweaks – new tariffs to recover some things faster, start stockpiling "decarbonized" gas, invest in some different business ideas – but the underlying assumption that we will just keep supporting the existing system by growing the volumetric amount of (somehow magically carbon free) energy into the future fast enough that it outpaces investment hasn't changed.

So, I put it to you: should we just keep growing the volumetric amount of energy into the future fast enough to outpace investment, whether it's carbon free or not? No. Consumption got us into this mess – but it's not going to get us out of it.

To put it bluntly, we need a lot more innovation here. A lot more change. A lot more process. The DPU may kick off a proceeding to re-evaluate decoupling for the electric sector (after its surprise announcement to undo decoupling in the EE dockets). I think this proceeding should look not just at how decoupling in the electric sector should change in light of the need for efficient electrification, but also look into ratebases and recovery in the gas sector – or, better yet, an integrated energy sector – in light of our need to transition away from fossil fuels and towards electrification.

I'm grateful to this committee for looking into these really significant issues and look forward to working with everyone to find ways to get to the Commonwealth's clean energy future.

Thank you,

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