

NARUC  Winter

Policy Summit

Committee on Gas

I. Honorary Resolution

II. Con Edison's Certified Natural Gas Pilot (Kate Trischitta, Director of Commodity Operations, Con Edison)

III. Briefing on Certified Natural Gas: Primer, Regulatory Landscape, and Contributions Toward a Low-Carbon Future (Kiera Zitelman, Technical Director, NARUC)

IV. Briefing on The Current State of Policy Toward Line Extensions for Natural Gas Utilities (Dr. Karl McDermott, Chairman, Finance, Accounting, and Economics, University of Illinois – Springfield)

V. Update on Pipeline Reauthorization (Chris Mele, Legislative Director, Energy, NARUC)

VI. State updates

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conEdison



Orange & Rockland

Certified Natural Gas Pilot Program

NARUC Gas Committee

February 26, 2024

Certified Natural Gas Pilot Program

Con Edison and Orange & Rockland Joint Effort

- A pilot program for certified natural gas procurement was included in the most recent rate case settlement agreements of both Con Edison and O&R
 - NY State Public Service Law requires each LDC to procure natural gas at the lowest available price, as determined by the Commission
 - Many stakeholders have strong opinions around Certified Gas

Pilot Structure:

- Term of 3 years
- Annual limit on cost premium:
 - \$100,000 O&R,
 - \$800,000 Con Edison
- Supplier Survey and Annual Reporting
- Certifications limited to:
 - Project Canary Trustwell Platinum rating
 - MiQ Grade A rating
 - Oil and Gas Methane Partnership (OGMP) 2.0, Level 5 rating.

Why Pursue A Pilot ?

Certified Gas May Align With New York's Climate Goals

- New York's Climate Leadership and Protection Act (CLCPA) accounts for emissions from fossil fuels – **produced within and associated with imports from outside of the state**
- As customers of gas producers, storage operators and interstate pipelines, the Companies can potentially influence their actions
- Certified Gas procurement sends a message to producers that emissions reduction is important to us, for a relatively low cost
- Even in the most aggressive electrification scenarios, where natural gas usage is nearly eliminated by 2050, we will still be procuring for decades

Con Edison and O&R believe certified gas should be used to complement natural gas demand reduction strategies, NOT as a replacement for them

Concerns to Be Overcome

Some Stakeholders Question the Benefits of Certification

- Ability to “Cherry-Pick” best wells for certification
- Potential for double counting
- Lack of regulation
- No measurement and verification standards
- Missing transparency
- Insufficient real time monitoring
- Risk of shifting focus away from reducing gas demand

Con Edison and O&R believe the knowledge and experience obtained through the pilot will provide some clarity into these concerns

Questions ?

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NARUC

National Association of Regulatory Utility Commissioners

Certified Natural Gas: Primer, Regulatory Landscape, and Contributions Toward a Low-Carbon Future



Kiera Zitelman, Technical Manager, NARUC Center for Partnerships and Innovation

*U.S. Department of Energy–National Association of
Regulatory Utility Commissioners Natural Gas Partnership*

February 2024



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The Current State of Natural Gas Utility Line Extension Policies

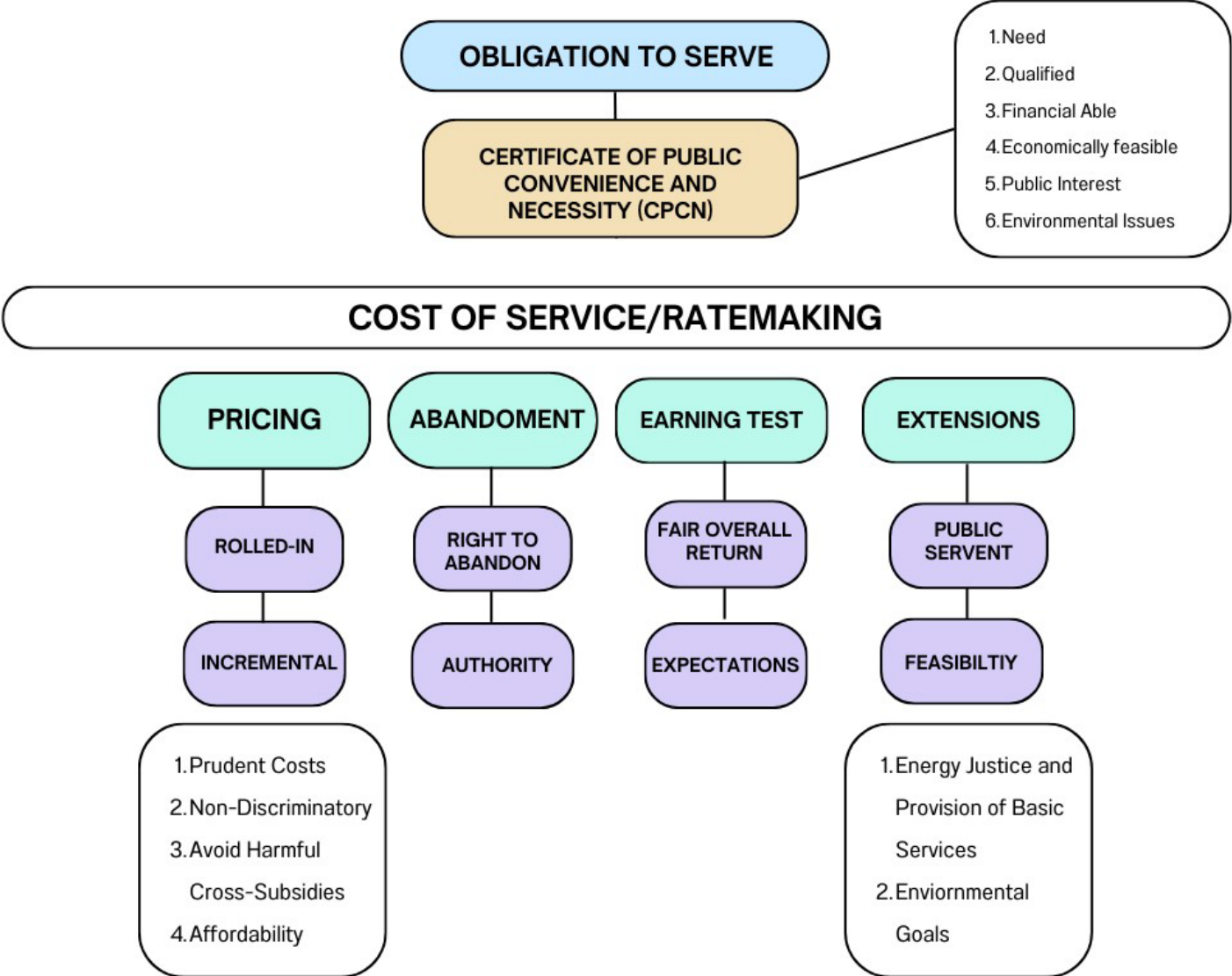
Karl A. McDermott, Ph.D.
Department of Accounting, Economics, and Finance
University of Illinois Springfield

NARUC Winter Policy Summit
February 26, 2024

Context

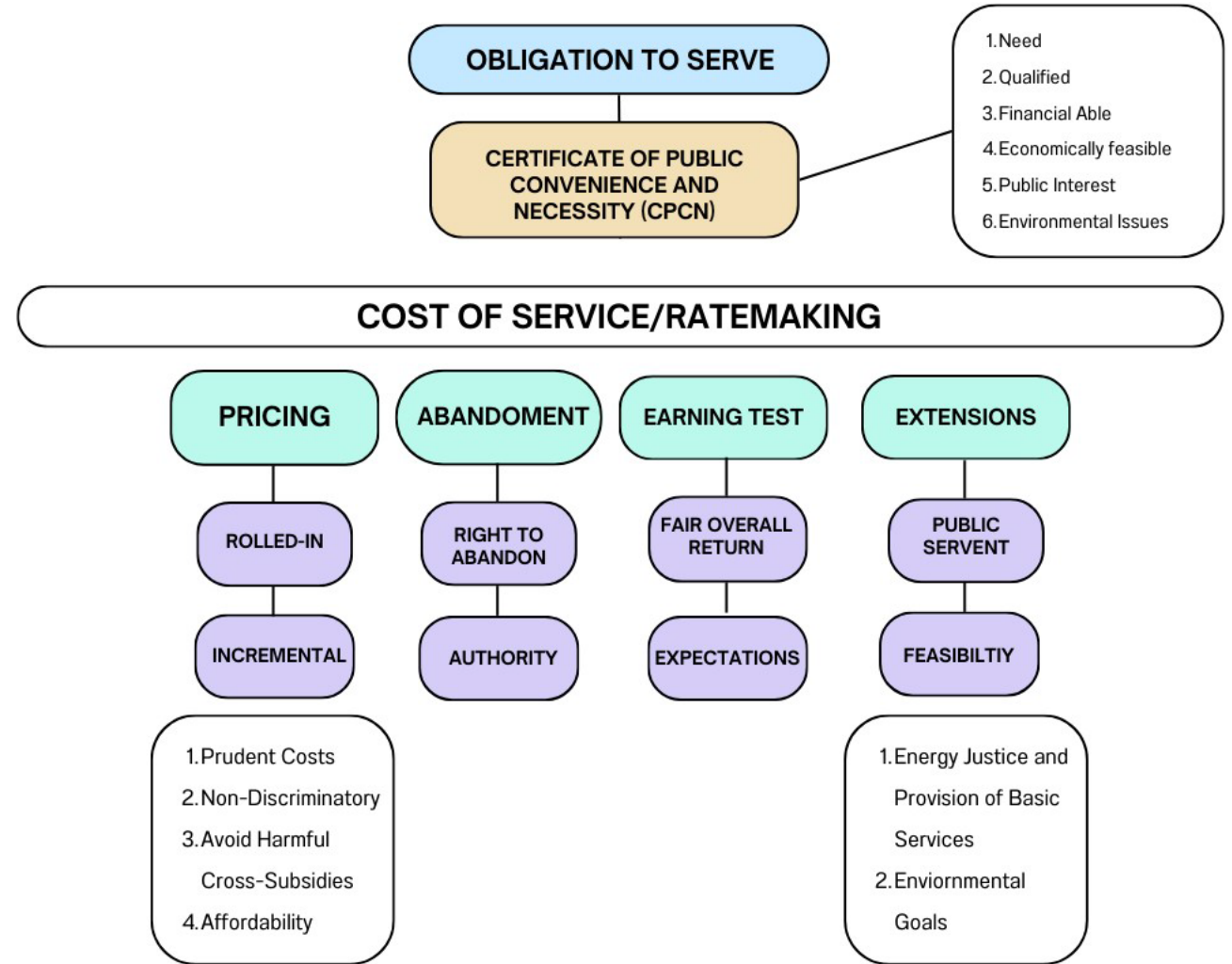
- Purpose of Report:
 - Create a starting point for the conversation about line extension policy
 - Provide a resource for stakeholders
- Report focuses on:
 - Historic reasons for current line extension policies for utility services
 - Cataloging current state/utility approaches to line extension in gas utility business
- We do not intend this report to advocate for a particular approach to line extensions or any other policy
- Authors: Karl McDermott Ph.D. and Carl Peterson Ph.D. (UIS) with research assistance from Concentric Energy Advisors, Inc.

Line Extension in the Regulatory Framework



Ratemaking

- Earning Test
 - Overall earnings test to avoid taking property
- Extension/Abandonment
 - Symmetric treatment
 - Maintain universal service within reason
- Pricing
 - Non-discrimination
 - No harmful cross-subsidy



Line Extension Approaches and Policy Levers

	Approach	Policy Levers
Allowance Portion	<u>NPV method</u> The utility determines the level of allowable investment based on expected revenues and costs of the extension.	1. Authorized Rate of Return (Interest Rate) 2. Expected time of recovery 3. Expected revenue (or consumption)
	<u>Footage Allowance</u> The utility pays for material and installation costs for a specified length (e.g. 100 feet) of main and service lines.	Distance from main
	<u>Dollar Allowance</u> The utility provides an allowance that is capped at a fixed dollar amount.	Dollar amount
	<u>Revenue / Margin Multiplier</u> The utility determines the maximum allowed investment of the line extension by multiplying the expected revenue by a certain number of years.	1. Multiplier value 2. Expected revenue (or consumption)
Excess Portion	<u>Contribution In Aid of Construction</u> The customer pays for the estimated cost of the extension in excess of the free limit.	Elimination or phase out of allowances
	<u>Surcharge</u> The customer pays a surcharge for the portion of the main line that exceeds what the utility is required to install without charge.	Payment period (e.g., 10 years, 20 years)

Appendix: Statewide and Non-Uniform Gas Utility Line Extension Policies

Jurisdictions with Uniform Natural Gas Line Extension Policies

	<u>State</u>	<u>Policy</u>
<u>Allowance Portion</u>	Arizona	NPV method
	Illinois, Kentucky, New York, Oklahoma	Footage Allowance
	Florida, Iowa	Revenue / Margin Multiplier
<u>Excess Portion</u>	Arizona, California, Florida, Illinois, Iowa, Kentucky, Oklahoma	Contribution In Aid of Construction
	New York	Surcharge

Jurisdictions with Non-uniform Natural Gas Line Extension Policies

	Approach	States
Allowance Portion	NPV method	Alabama, Arkansas, Connecticut, Delaware, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, Nevada, New Hampshire, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington, Wyoming
	Footage Allowance	Arkansas, Georgia, Indiana, Kansas, Louisiana, Mississippi, Missouri, New Hampshire, North Carolina, Ohio, Pennsylvania, South Carolina, South Dakota, Texas, Vermont, Wisconsin
	Dollar Allowance	Colorado, Kansas, Maine, Montana, Oregon, Washington, Wyoming
	Revenue/margin multiplier	Alaska, Hawaii, Idaho, Indiana, Louisiana, Maine, Missouri, Nevada, New Jersey, New Mexico, North Dakota, Oregon, South Dakota, Wisconsin
Excess Portion	CIAC	All states except New York
	Surcharge	Arizona, Arkansas, Connecticut, Delaware, Florida, Idaho, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New York, Utah

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**The General Session will begin
at 3:15 p.m.
in the Potomac Ballroom**

Relevant NARUC resources:



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Certified Natural Gas:
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NARUC
National Association of Regulatory Utility Commissioners

Essential Guide to NARUC Natural Gas Resources



Overview

NARUC members are increasingly seeking more information about natural gas infrastructure needs, impacts, and the role of Public Utility Commissions (PUCs). This guide connects commissioners and commission staff to essential natural gas resources that NARUC has developed. All of these resources can be found on the [NARUC Natural Gas webpage](#).

The NARUC Center for Partnerships & Innovation collaborates with the U.S. Department of Energy to maintain the DOE-NARUC Natural Gas Partnership (NGP). The NGP supports members in learning about emerging technologies and regulatory options, particularly around leak detection, infrastructure modernization, enhancing pipeline safety and reliability, and a broad range of issues relating to natural gas regulation. For more information, contact Kiera Zitelman, kzitelman@naruc.org.

Foundational NARUC Resources on Natural Gas and the Role of PUCs

The resources below provide a starting point for the many topical resources and activities throughout this guide.

[Task Force on Natural Gas Resource Planning, 2023-2025](#)

The NARUC Task Force on Natural Gas Resource Planning provides a forum for members to envision novel process approaches for considering natural gas distribution resource planning in their states. Visit the [webpage](#) for new resources and to keep up-to-date on task force activities.

[Artificial Intelligence for Natural Gas Utilities: A Primer, October 2020](#)

Artificial intelligence, machine learning, predictive analytics, and other applications of data analysis and statistical methods show great potential for improving the efficiency, reliability, and safety of the nation's natural gas infrastructure. In this resource, NARUC defines terminology and summarizes relevant applications and case studies for natural gas distribution utilities.

• [Innovation Webinar: Incorporating AI into Resilience-Informed Utility System Planning, June 2023](#)

[Report of the NARUC Task Force on Natural Gas Access and Expansion, November 2017](#)

The report provides states with educational tools and information on policies, mechanisms, and practices that utility regulators can use to help extend natural gas service to unserved and underserved areas.

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NARUC Natural Gas
Resources



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