Committee on Gas: Navigating Gas Utilities to a Decarbonized and Financially Sound Future

This session will begin at 1:45 pm
Navigating Gas Utilities to a Decarbonized and Financially Sound Future

NARUC SUMMER POLICY SUMMIT

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Brattle
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The views and opinions expressed in this presentation are strictly those of the Author, and do not necessarily represent the views or opinions of Brattle or any of its other employees.
Building Blocks for a Successful Energy Transition

1. Assess Risk & Opportunities
   - Policy risk
   - Business strategy risks
   - Cost of capital implications

2. Evaluate Strategies
   - Regulatory framework for transition
   - New technologies and infrastructure
   - Securing life of existing assets

3. Implement
   - Performance-based regulation
   - Multi-year rate plan
   - New programs

Is it a real risk? How big is it, and how immediate?
What strategies will enable solutions?
What steps can be taken to get there?
Is it a real risk? How big is it, and how immediate?

Without proactive adjustments, utilities face increasing cost recovery risks of capital invested to grow the gas system or to maintain safety and reliability requirements.

Gas utilities and regulators will also need to consider the risks and impact of the transition on low-income and less advantaged communities, who may experience rising bills and longer exposure to emissions.


*ESG stands for Environmental, Social, Governance investing
What strategies will enable solutions?

Expanded Regulatory Framework That Enables Solutions

STRATEGIES TO DECARBONIZE WHILE GROWING BUSINESS

ONE
Increase Performance of Existing Infrastructure and Reduce Stranded Asset Risk

TWO
Own and Rate Base Gas Replacement and Decarb Infrastructure

THREE
Reduce Risk and Secure Financial Lives of Infrastructure

FOUR
Decarbonize Supply for Future Gas Demand

FIVE
Long-Term Business Solutions

What steps can be taken to get there?

These steps can help secure paradigm-shifting regulatory mechanisms for investing in new technologies and for taking on new roles. Utilities need to leverage that support early and proactively rather than later and defensively.

1. **Early alternative regulation must first focus on aligning utility incentives**

2. **Decoupling/lost revenue adjustment mechanism**

3. **Rate of return incentives**

4. **Shared net benefits**

5. **Performance incentive mechanisms (PIMS)**

Utilities can then use alternative regulation to establish financial stability during transition.
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Thanks for attending. The next session begins at 3:15 pm.