Under Pressure: Gas Utility Regulation for a Time of Transition

RAP Webinar

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The Regulatory Assistance Project (RAP)®
1 Issues and Trends
FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies

APRIL 22, 2021 • STATEMENTS AND RELEASES

Building on Past U.S. Leadership, including Efforts by States, Cities, Tribes, and Territories, the New Target Aims at 50-52 Percent Reduction in U.S. Greenhouse Gas Pollution from 2005 Levels in 2030
Colorado Targets

26% reduction by 2025

50% reduction by 2030

and 90% reduction by 2050
Needed GHG Reductions


Figure 30: GHG Emissions Reductions by Measure in the HB19-1261 Targets Scenario
Colorado GHG Contributors

- Oil and gas production
- Fuels use in the residential, commercial and industrial space
- Electricity generation

Drop in Gas Demand per Customer

- Energy-efficient gas appliances
- More stringent building codes
- Electrification

Decline in home gas consumption under revised Washington state energy codes

Economic Building Electrification
More efficient and decreased use of gas to meet GHG targets

Climate Policy and Safety Concerns

Note: Methane is colorless, but for purposes of illustration, leakage is represented in yellow.

Source: The Gas Index. (2020). The United States’ Natural Gas System Has a Serious Problem: It Leaks
Protecting Consumers During Transition
Infrastructure Costs Spread Across Fewer Customers = Higher Rates

Projected increase in gas consumers’ bills under high electrification

Starting off behind: Disproportionate impacts on LMI customers

Source: CBS4, Chris Spear, Season’s First Ozone Alert Issued For Denver, Air Unhealthy For Sensitive Groups (May 29, 2020)
Equity Is Integral

• Robust and inclusive processes to ensure that everyone’s needs are considered and planned for
• Programs that are accessible and put disadvantaged communities at the forefront of the transition to clean energy
• Rate-making reforms can mitigate risk of unsustainable rate increases and avoid disproportionate bill impacts on low-income customers
Planning for a Transition
Under Pressure: Gas Utility Regulation for a Time of Transition

By Megan Anderson, Max Dupuy and Mark LeBel
A Framework for Regulators

Revitalize Gas Utility Planning

Enhance EE and Electrification Programs

Reform Gas Rate-Making
Gas Planning Process

Lay the foundation
- Require inclusive, robust stakeholder process
- Set planning within policy context
- Coordinate with related processes

Develop a system map
- Assess existing infrastructure
- Identify current customer base
- Analyze demand, supply and risk

Explore alternative scenarios
- Develop scenarios
- Model scenarios
- Consider transition planning

Create action and transition plans
- Short-term action plan
- Long-term transition plan
Prepare for next process
Lay the Foundation

- Require inclusive, robust stakeholder process
- Set planning within policy context
- Coordinate with related processes
Develop a Dynamic System Map

Layers of information can facilitate system planning

• Assessment of existing infrastructure
• Identification of current customer base
• Analysis of demand, supply and risk
Explore Alternative Scenarios

New residential: All electric; no gas infrastructure

Residential areas: Transition away from gas to electric appliances, heat

Low and moderate income: Prioritize electrification

Aging pipes: Prioritize electrification

Commercial: Some larger commercial infrastructure stays. Plan to transition

Smaller commercial: Phase out gas after electrification

Industry: Gas infrastructure stays. Plan to transition to green hydrogen or biomethane
Create Action and Transition Plans

- Use the results of the scenario analysis to create:
  - Short-term action plan: 3 to 5 years
  - Long-term transition plan: 15 to 20 years
- Planning is a “no regrets” tool – ensures that regulators have the info they need to make decisions about utility gas filings
A safe transition is a planned transition.

An affordable transition is a planned transition.

An equitable transition is a planned transition.
About RAP

The Regulatory Assistance Project (RAP)® is an independent, non-partisan, non-governmental organization dedicated to accelerating the transition to a clean, reliable, and efficient energy future.

Learn more about our work at raponline.org

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