

Gas Utility Transition

January 26, 2022

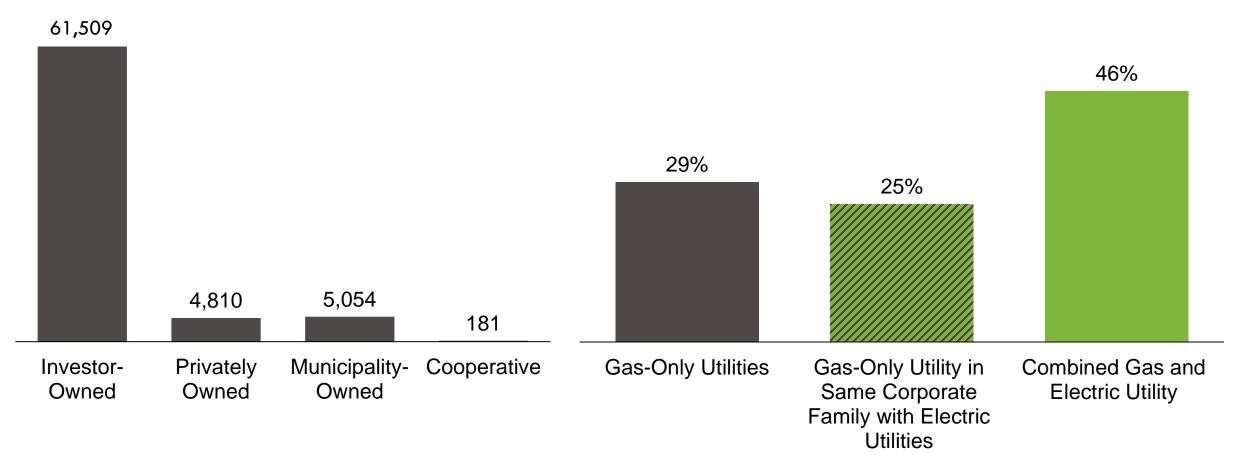
Most gas customers in the United States are served by investor-owned utilities

Gas customers by utility ownership structure

Thousands of residential and commercial customers, 2017

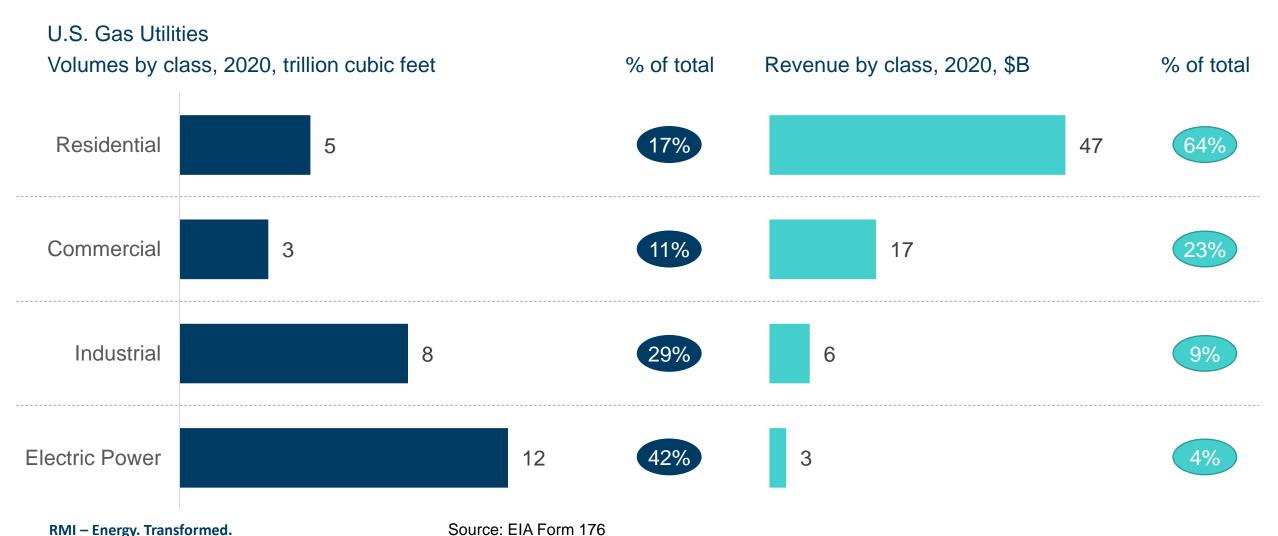
Gas volume delivered by utility business structure*

Residential and commercial, %, 2017



*n=61 utilities representing 81% of total volume delivered

Gas utilities sell to multiple sectors, but residential customers dominate revenues

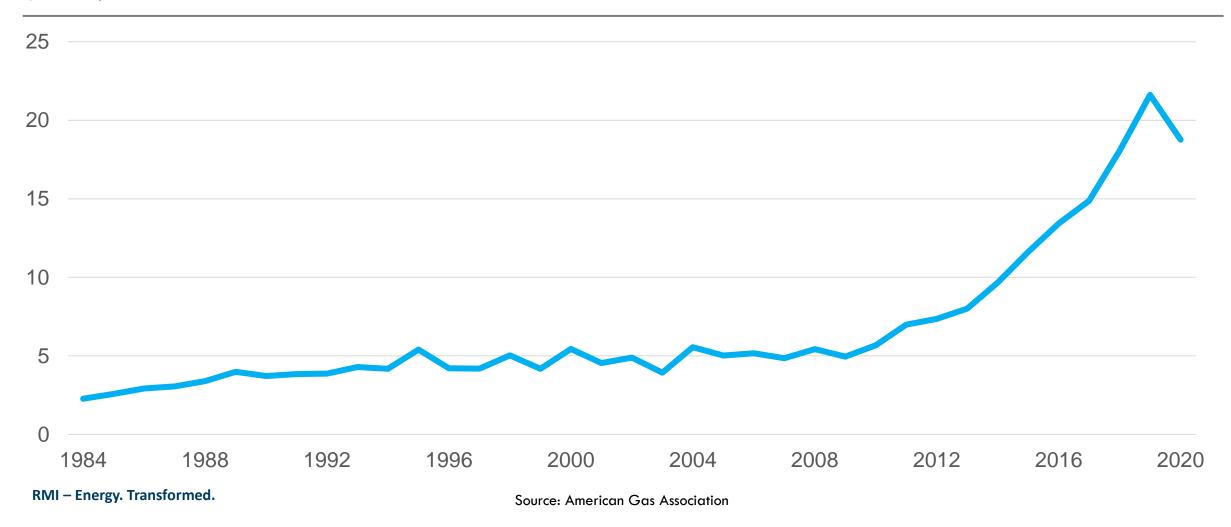


Note: excludes vehicle fuel sales, which are negligible

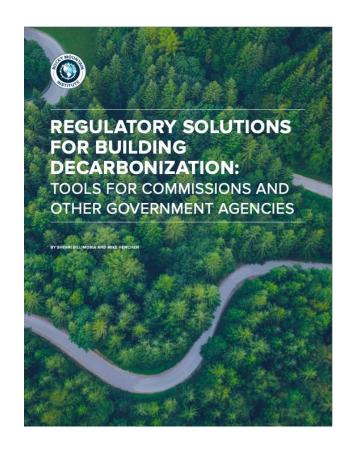
Gas distribution spending tripled from 2010 to 2020

US gas utility distribution system construction expenditures

\$ billion, 1984–2020



Regulatory Solutions for Building Decarbonization





Many states have opened "future of gas" proceedings

Colorado: 21R-0449G

the Commission's Rules

Regulating Gas Utilities

Proposed Amendments to

Washington: U 210553
Examination of energy decarb impacts and pathways for electric & gas utilities; UG 210729 Gas line extension allowances

Oregon: UM 2178 Natural Gas Fact Finding

California: R-20-01-007
Order Instituting Rulemaking To
Establish Policies, Processes, And
Rules To Ensure Safe And
Reliable Gas Systems In
California And Perform LongTerm Gas System Planning.

Nevada: 21-05-002 Investigation Regarding Long-

Term Planning For Natural Gas

Utility Service In Nevada.

Minnesota: 21-565 Evaluation Of

Regulatory And Policy Structures To

Meet State GHG Reduction Goals:

21-566 Lifecycle GHG Intensities of

Changes To Natural Gas Utility

Various Resources, and Cost-

Effectiveness

Proceeding On Motion
Of The Commission In
Regard To Gas Planning
Procedures.

DC: Altagas Climate Business Plan

New York: 20-G-0131

Massachusetts: 20-80
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.

RMI – Energy. Transformed.



PATH 1 TRANSFORMATION

Gas utilities transform their business models to thrive in a carbon-free future with new offerings.

PATH 2 MANAGED TRANSITION

Gas system winds down as energy shifts to electricity; new earnings opportunities for gas utilities to manage an effective transition; workers supported with transition plan and secure benefits.

DEAD END PATHS

PATH 3 Failure to mitigate climate change.

Failure to mitigate climate change. Continued widespread gas use contributes to unsustainable emissions and climate change well in excess of manageable levels.

PATH 4 Gas utility death spiral. Customers defect from the gas system, raising prices, straining the utility business, challenging customer affordability, and leaving employees unsupported.

PATH 5 Overreliance on RNG. Utilities pursue RNG to maintain today's business model, leading to either path 3 (because available RNG is insufficient to eliminate emissions) or path 4 (because high-cost RNG spurs more electrification).

Questions raised in these proceedings

- How should current gas line extension policies be adapted to align with GHG reduction goals and anticipated reductions in gas demand?
- Given expectations of decreasing gas demand, by what criteria should **non-pipes solutions (NPS)** be considered to address capacity constraints, pipeline repairs, and pipeline replacements?
- As gas demand declines, which additional investments in gas infrastructure are necessary to ensure safety and reliability?
- How should gas and electric system planning be integrated to facilitate the necessary coordination of energy systems in transition?



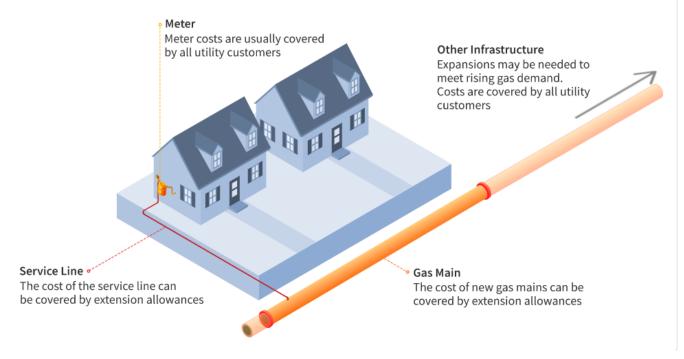
Overextended

It's Time to Rethink Subsidized Gas Line Extensions



December 2021

Infrastructure associated with extension allowances



webinar Tuesday 2/8 at 1pm Pacific contact sbillimoria@rmi.org for details

How can cities and municipalities influence gas transition?

- Municipal utilities
- Intervening in utility proceedings
- Sustainable Energy Utility

Thank you!
sbillimoria@rmi.org
mhenchen@rmi.org