



Natural Gas Line Extension Policies: Ratepayer Issues and Considerations

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How can cost-effective natural gas use be expanded to:

- A. A broader set of existing customers
("under-served" customers)
- B. communities not currently served by
natural gas.



Are There Any Potential Advantages to Existing Ratepayers?

In theory there are a number of benefits that can include:

- Economic: drive down average cost through expanded/better system utilization.
- Environmental: potentially reduced emissions from fuel oil or coal-fired electric generation.
- Potential gas supply procurement advantages.
- Economic development.
- Preserving domestic gas for domestic use.
- Production/drilling/pricing stability.



What are the Problems/Barriers Preventing Greater Gas Utilization from Occurring?

Regulatory policies and practices that discourage natural gas use.



- Revenue decoupling
- Rate design (customer charges/SFV)
- Rate design (inclining block rates for distribution service)
- Unreasonable natural gas EE goals.
- Carbon adders

Evaluation methods that underestimate benefits & overestimate costs



- Embedded vs. incremental costs.
- Time periods for contributions.
- Other allowance restrictions.



If This is So Easy, Why Not Just Fix It?

Line extension policies are facilitating uncertain usage growth opportunities that carry risks



- Business risks (build it and they will come?)
- Regulatory risks (cost recovery)
- Performance risk (what if it costs a lot more than anticipated?)

Policy inconsistencies need to be reconciled.



- Energy efficiency programs
- Rate Design
- System planning/utilization
- Supply planning
- Pipeline replacement programs



Solutions:

Opportunity for “win-win” solutions, provided:

- Issues are evaluated comprehensively.
- Utilities make the business case for expansions.
- Risks and rewards are balanced and clearly defined.
- Policy/programs are monitored and measured.
- Reasonable changes in regulatory expansion policies are evaluated, then adopted.
- Regulatory vs. legislative responsibilities are clearly defined.



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