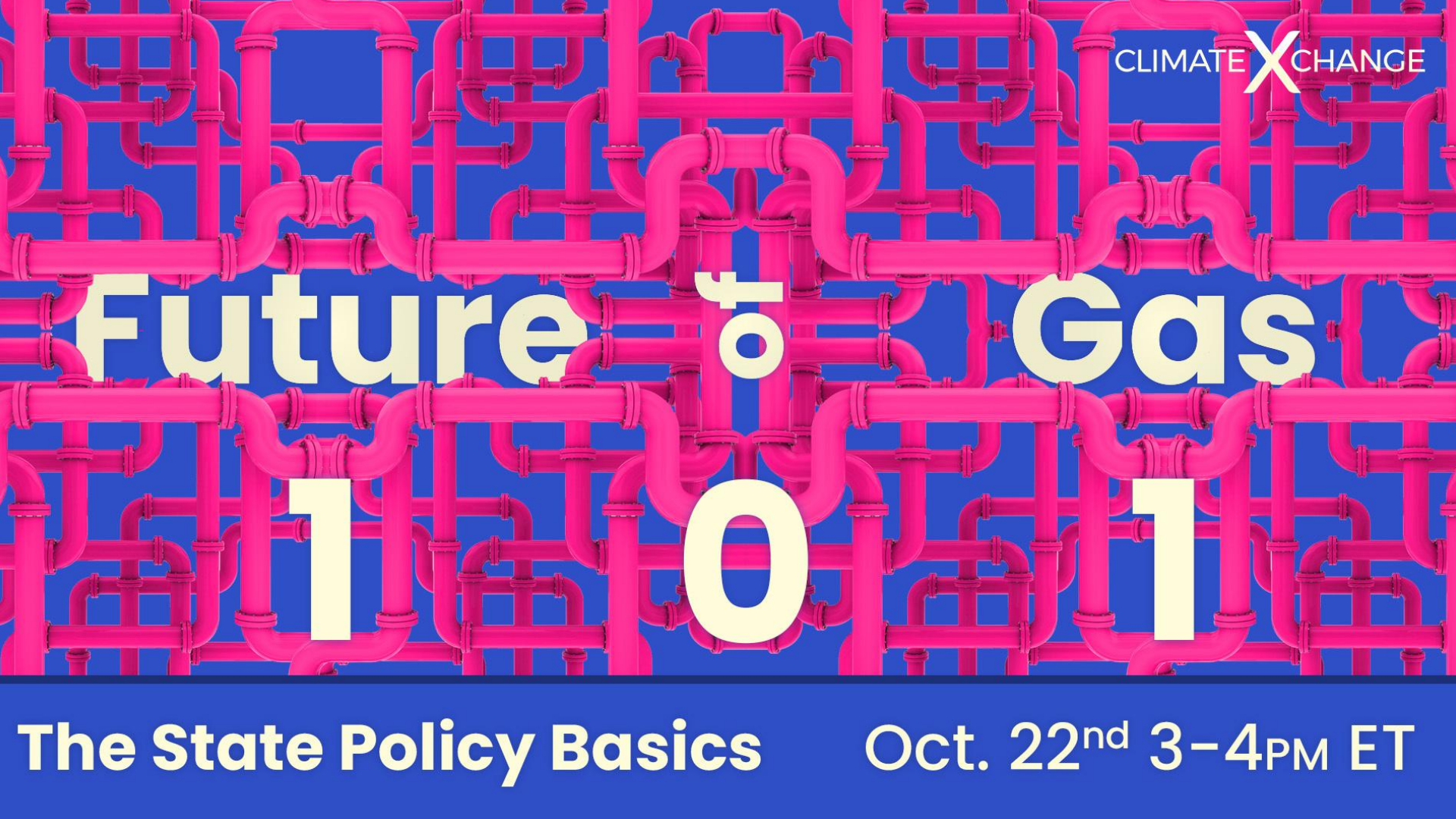
CLIMATE X CHANGE
Future of Gas
101
The State Policy Basics
Oct. 22nd 3-4PM ET

Introduction

Kristen Soares

State Climate Policy
Network Manager

CLIMATE X CHANGE
[SCPN]

State Climate Policy Network

Network of **15,000+**

- ➔ State and local elected officials
- ➔ NGO advocates
- ➔ Researchers
- ➔ State agency staffers
- ➔ Organizers and activists
- ➔ Business leaders

... working on state climate policy

www.climate-xchange.org/network

CLIMATE XCHANGE [SCPN]

Pro Bono Policy Assistance

We specialize in state climate policy design and analysis.
Reach out to kristen@climate-xchange.org with your requests on:

- **Example states** and **model rules** for a given policy
- **Gap analysis** of your state's climate policy landscape
- **Connections** to other actors working on similar issues

CLIMATE X CHANGE [SCPN]

Buy your tickets before Oct. 31st to be entered in our Early Bird Drawing for $10,000!

Our Annual Fundraiser

As the federal government actively undermines the country's climate progress, the role of states is more critical than ever.

Help fund our programs:

- SCPN National Calls and Webinars
- State Climate Policy Dashboard
- Pro Bono Policy Assistance

We're celebrating 10 years of our fundraiser by hosting two raffles.

Help us at carbonraffle.org

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Future of Gas 101 Series: How States Can Shape Natural Gas Policy

What is 'future of gas' (FOG)?

What policy levers exist, and what outcomes can they achieve?

—

With Building Decarbonization Coalition and Switchbox

How have FOG policies and proceedings played out?

What lessons can we learn from other states?

—

With NRDC and Clean Heat Minnesota

What questions do you have for FOG experts?

—

With our series speakers + the People's Counsel for the State of Maryland, Fresh Energy, Groundwork Data

CLIMATE X CHANGE [SCPN]

Future of Gas 101: The State Policy Basics

Kristin George Bagdanov
Senior Policy Research Manager
Building Decarbonization Coalition

Juan-Pablo Velez
Executive Director,
Switchbox

Agenda

1. Intro to FOG: The Economic and Policy Basics
2. Proceedings and Outcomes
3. State Policies and Strategy
4. Q&A

CLIMATE X CHANGE [SCPN]

Speaker

Kristin George Bagdanov

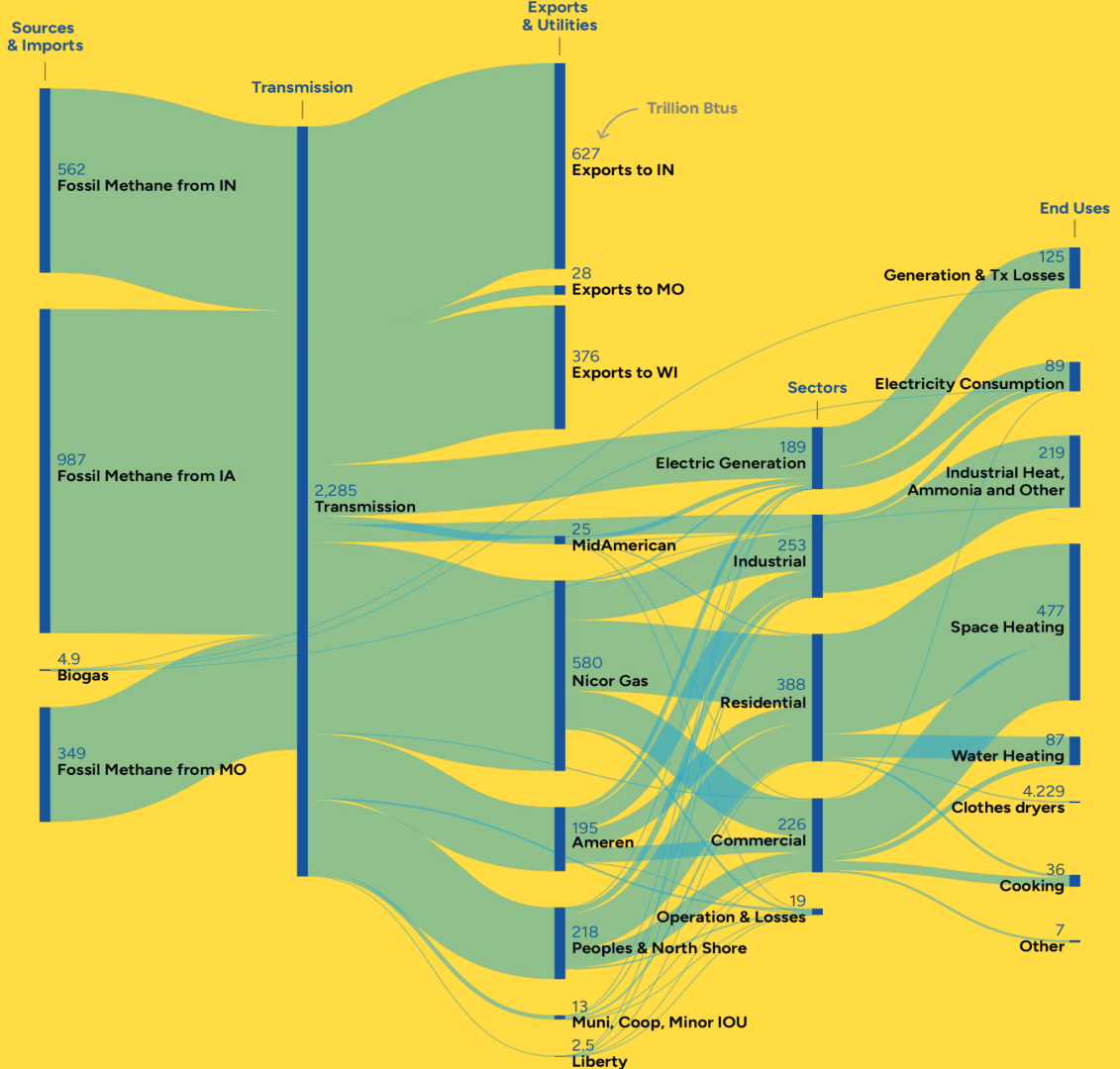
Senior Policy Research Manager

Building Decarbonization Coalition

CLIMATE X CHANGE [SCPN]

BUILDING DECARBONIZATION COALITION

The Future of Gas



Kristin George Bagdanov, PhD
Sr. Manager of Policy Research
Building Decarbonization Coalition

About the BDC

The Building Decarbonization Coalition (BDC) aligns critical stakeholders on a path to transform the nation's buildings through clean energy, using policy, research, market development and public engagement.

The BDC and its members are charting the course to eliminate fossil fuels in buildings to improve people's health, cut climate and air pollution, prioritize high-road jobs, and ensure that our communities are more resilient to the impacts of climate change.

- **Sign up for our newsletter!** https://buildingdecarb.org/newsletter
- **Membership is free!** Join us! buildingdecarb.org/join

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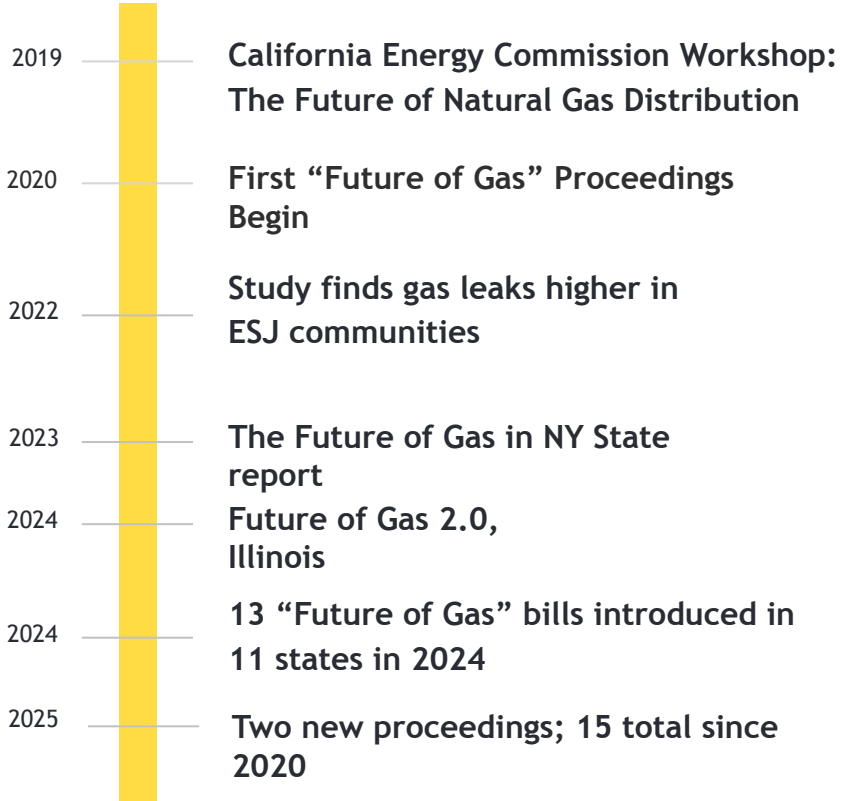
What is the Future of Gas?

“The Future of Gas”: from phrase to framework

- The “future of gas” designates a set of questions, assumptions, and arguments, associated with the long-term sustainability of the methane gas system.
  - The future of gas is being discussed in communities, organizations, regulatory agencies, state governments and state agencies, and in legislatures
  - Since 2019, there has been a growing consensus about what the future of gas should be and how we should get there



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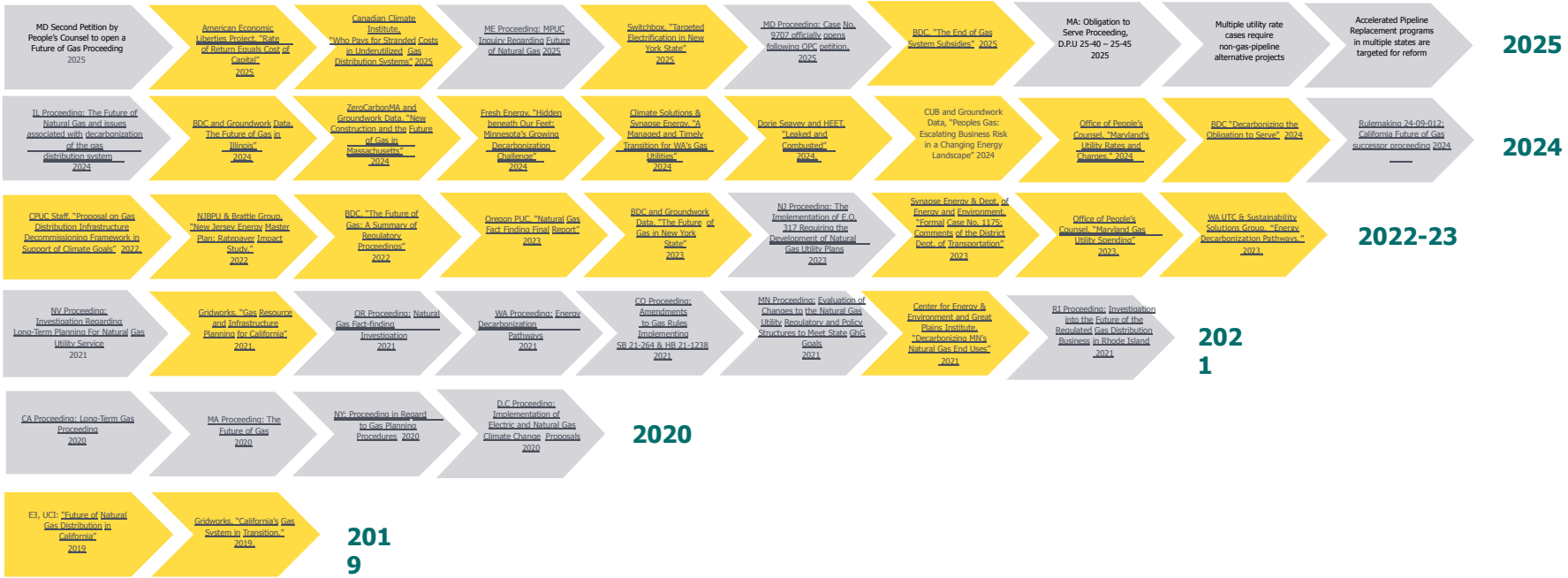
Raising the Baseline: Six years of evidence and advocacy

2025: There are significant social, economic, and regulatory reasons why a managed transition off the gas system is



2019: There is a need to engage in long-term gas system planning in light of climate targets

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10 Truths Shaping the Future of Gas

1. Our climate targets are in conflict with gas system growth
2. The polluting effects of the gas system are unevenly distributed
3. The new reality of competing gas and electric monopolies requires a new regulatory framework
4. Gas utilities must change their business model due to increasing regulatory scrutiny and policy changes
5. Pipeline replacement programs are a bandaid for stagnating growth
6. Past investments will continue to shape future rates for decades (the “undertow effect”)
7. Vulnerable communities will be harmed if the transition off the gas system is not thoughtfully managed
8. Regulators have a crucial role to play in determining the success of our climate policies
9. Energy system data must be broadly accessible to plan and manage the transition
10. Cost recovery is allowed, not guaranteed, and a higher standard for investments is needed in rate cases

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Why We Need a Managed Transition

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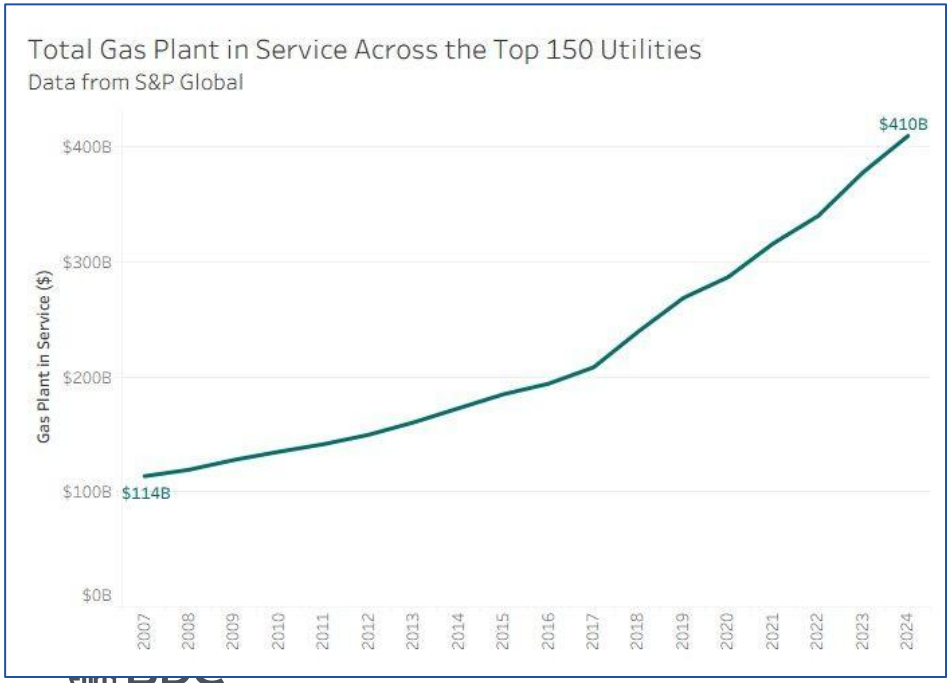
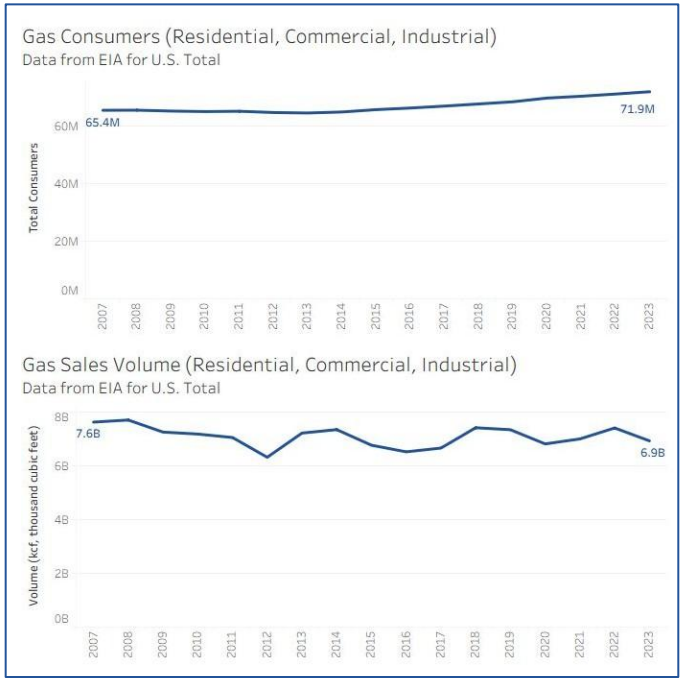
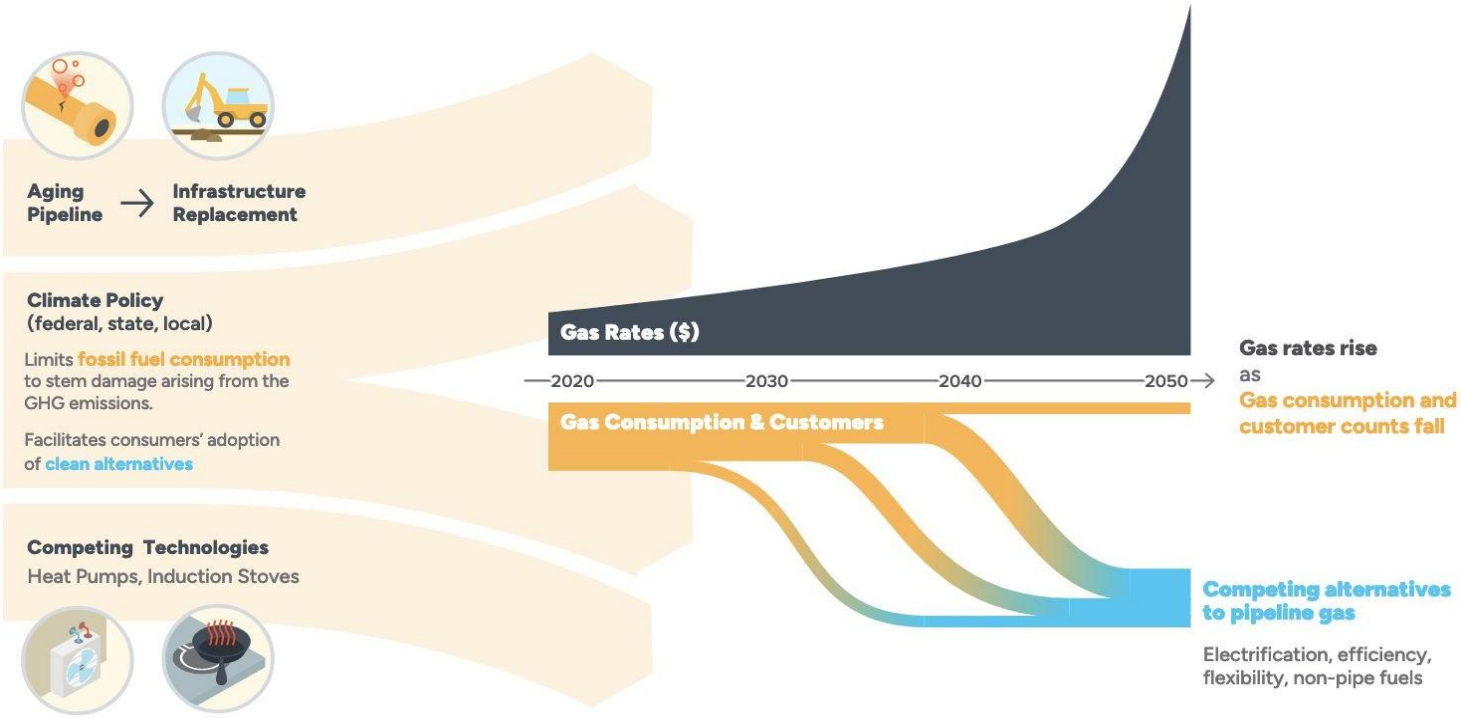
The Gas System is Top Heavy

Capital expenditure (CapEx) has accelerated while customers and consumption have stagnated, leading to higher gas bills for remaining customers and higher stranded asset risk for utilities. Leading reasons for acceleration are overinvestment in current system + subsidies for new infrastructure.





Feedback loop of an unmanaged transition



From *The Future of Gas in New York State*, Groundwork Data and BDC, 2023.

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Managed Gas Transition

- A **managed gas transition** is a comprehensive strategy involving regulatory oversight and stakeholder collaboration to phase out pipeline- delivered methane gas while ensuring safety, reliability, and affordability.
  - Requires coordinated investments and actions from utilities, consumers, and policymakers
  - Deploys non-GHG-emitting technologies, policy reforms, and safeguards for affected communities and workers, aligning with decarbonization goals for a sustainable energy shift without undue hardship or service interruptions.
  - **Neighborhood-scale building decarbonization** is an emergent approach for a managed transition; this approach focuses on transitioning entire street segments, developments, or neighborhoods to decarbonized energy sources and electric appliances. This strategy is critical for avoiding the pitfalls of escalating customer costs and deepening inequities.

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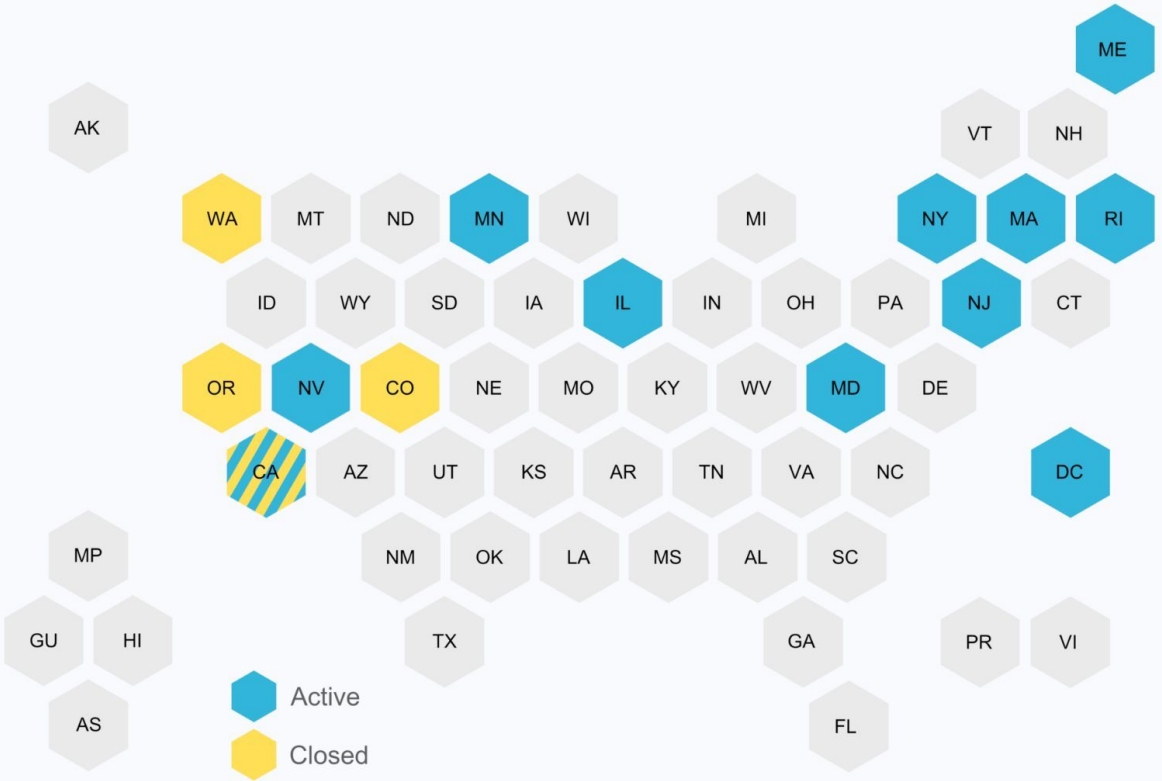
Future of Gas Proceedings

There have been 15 Future of Gas (FOG) proceedings since 2020



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	# R.24-09-012
CO	# 21R-0449G
DC	# 1167
IL	# 24-0158
MA	# 20-80
MD	# 9707
ME	# 2025-00145
NJ	# GO23020099
MN	# G-999/CI-21-565
NV	# 21-05002
NY	# 20-G-0131
OR	# UM 2178
RI	# 22-01-NG
WA	# U 210553

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How do Future of Gas proceedings begin?

- On the PUC's own Order
- Legislative Directive
- Petition (e.g. from Attorney General)
- Executive Order

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What do they address?

Anything and everything to do with the gas system; in states with clear GhG reduction goals, considering how gas companies will compy with / contribute to GhG reductions

- Ratemaking & Cost allocation
- Stranded asset risk
- Line extension allowances
- Greenhouse gas emissions
- Necessary regulatory or legislative policy changes
- Depreciation practices
- Supply /demand forecasting
- Gas pipeline safety
- Workforce issues
- Non-gas-pipline alternatives
- Equity considerations
- Transparency of gas system planning
- Data collection and reporting
- Integrated system planning

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What have they produced?

- Cost Allocation:
  - Reform of gas line extension allowances (fossil fuel subsidies)--**MD, MA** (pending final adoption)
- Studies:
  - Depreciation studies required to understand stranded asset risk–**NY**
- Reports:
  - Requiring utilities to file long-term gas plans filed on a regular cadence–**NY**
  - Requiring gas utilities to submit reports for PUC approval on a regular basis for planned gas investments and for large and environmentally significant gas infrastructure projects--**CA, CO**
  - Requring utilities to file climate and/or business plans that comply with state climate goals-**MA, D.C.**
  - Fact-finding / Investigative Report on Gas System produced for Legislature-**OR, WA**
- New Frameworks & Plans:
  - A proposed Gas Distribution Decommissioning Framework–**CA**
  - Adopting plans for how gas utilities will reduce emissions in their operations–**MN**
  - Requiring gas utilities to consider non-gas-pipeline alternatives when proposing new gas system investments or including NPAs in long-term gas system plans–**MA, NY**
- Data:
  - Submission of public maps designating planned pipeline replacement projects–**CA**
- Further Discussion:
  - Follow-on proceedings, related proceedings, utility-specific proceedings--**CA, NY, D.C., MA, CO**

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Thank You

Questions? Email: Kristin@buildingdecarb.org

Check out BDC's quarterly momentum reports, future of gas reports, and other research here: https://buildingdecarb.org/research

BDC

Speaker

Juan-Pablo Velez

Executive Director

Switchbox

CLIMATE X CHANGE [SCPN]

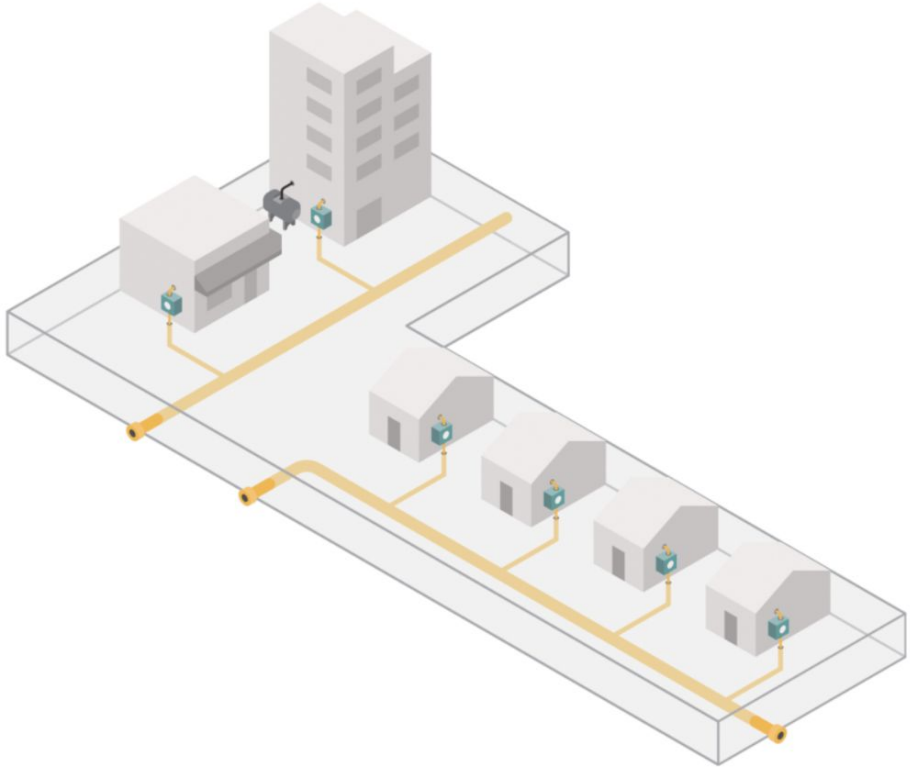
Clarity and perspective on state climate policy.

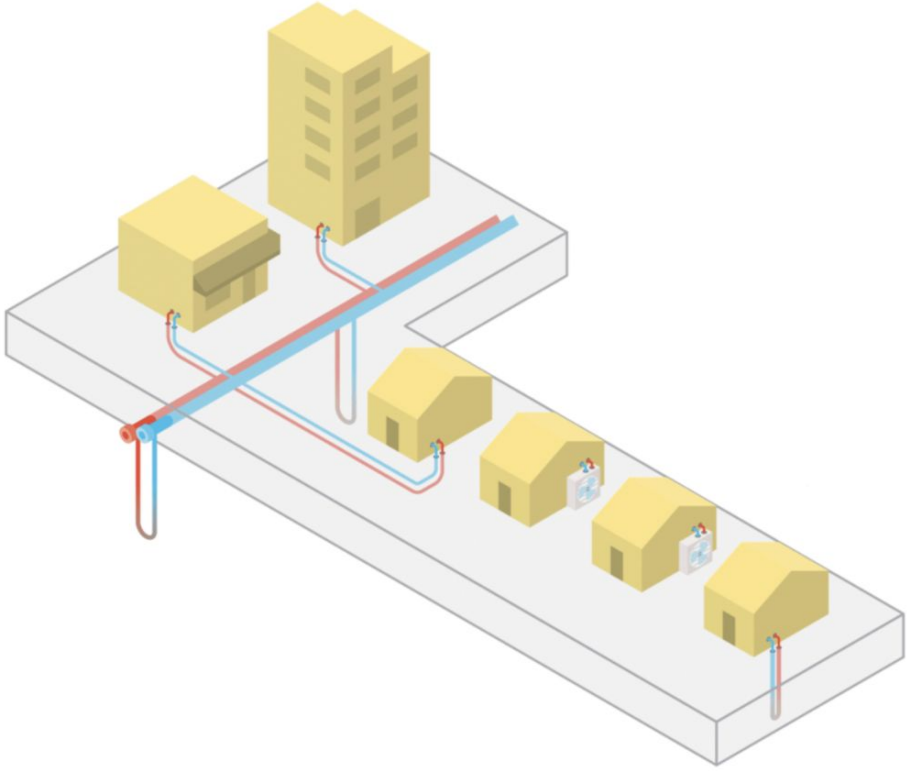
A think tank producing rigorous, accessible data for advocates, policymakers, & the public.

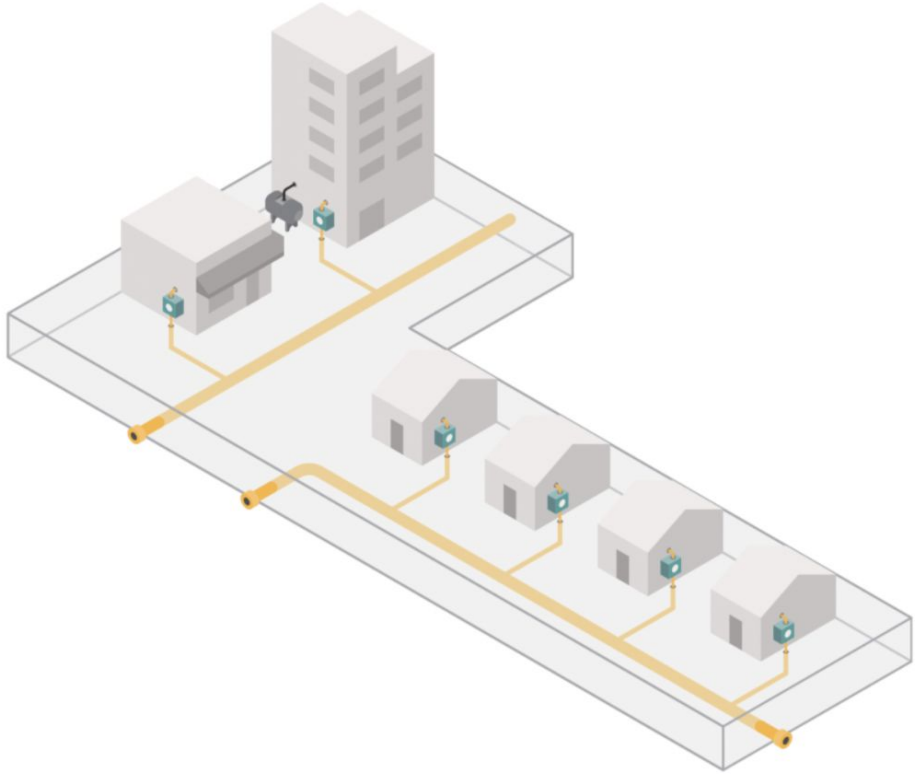
1. Stop the growth

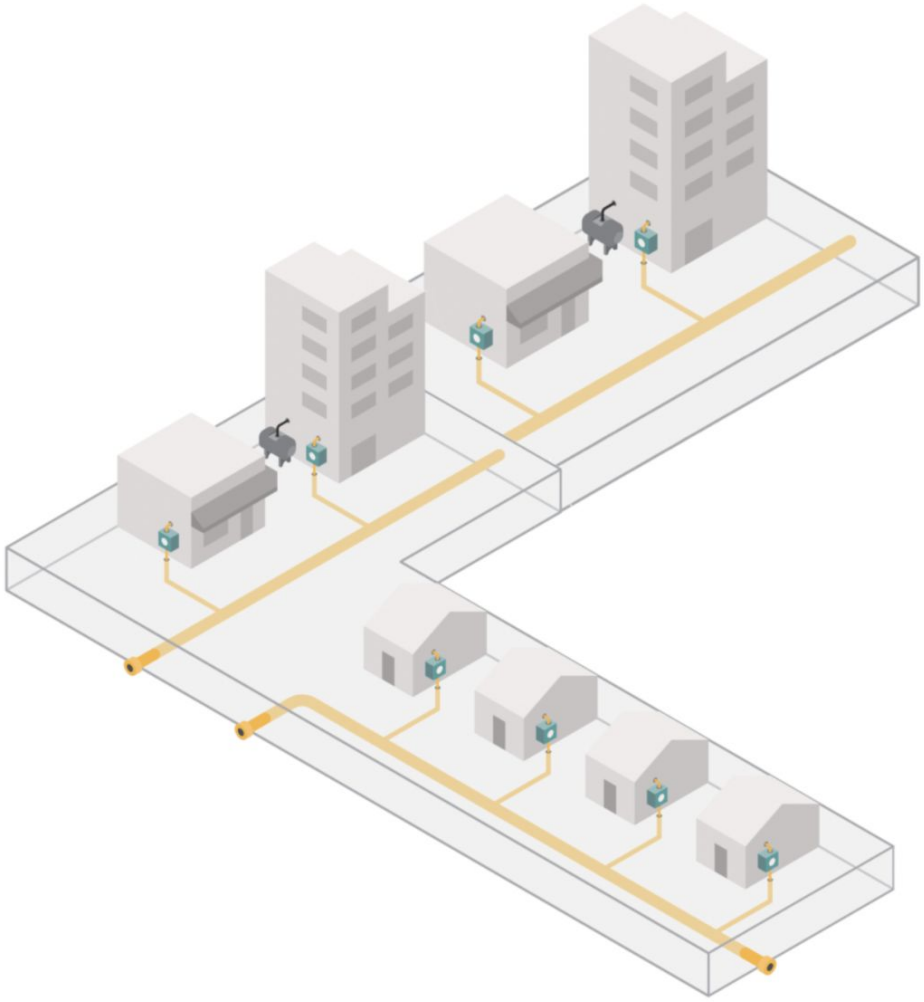
2. Avoid replacements

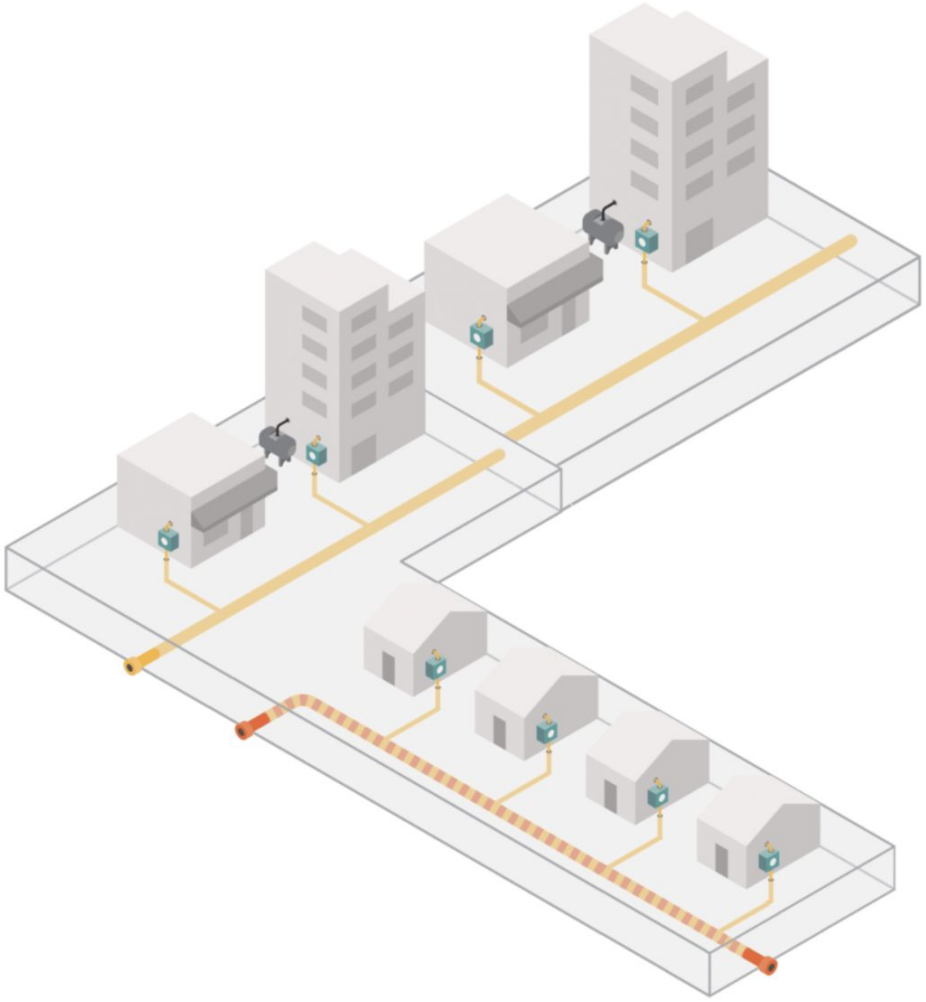
3. Shut down the rest.. gracefully

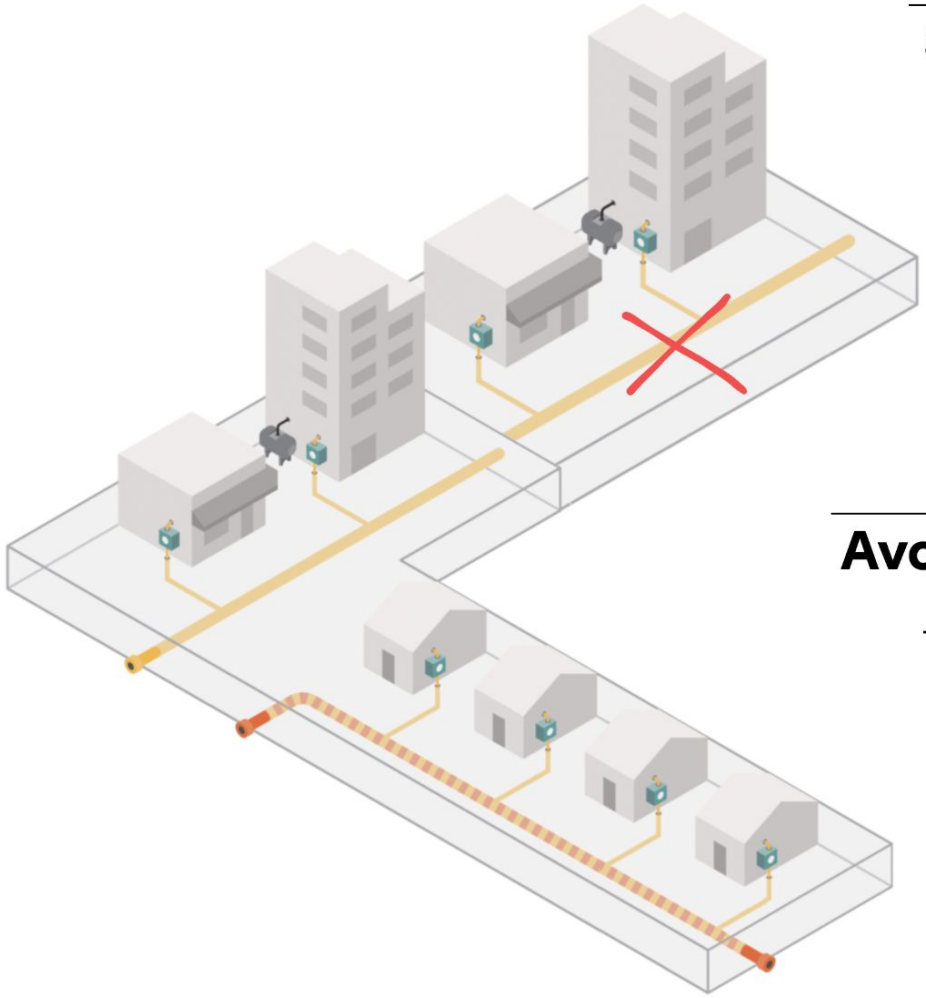












Stop the growth

- Line Extension Allowances
- All-Electric Construction Standard

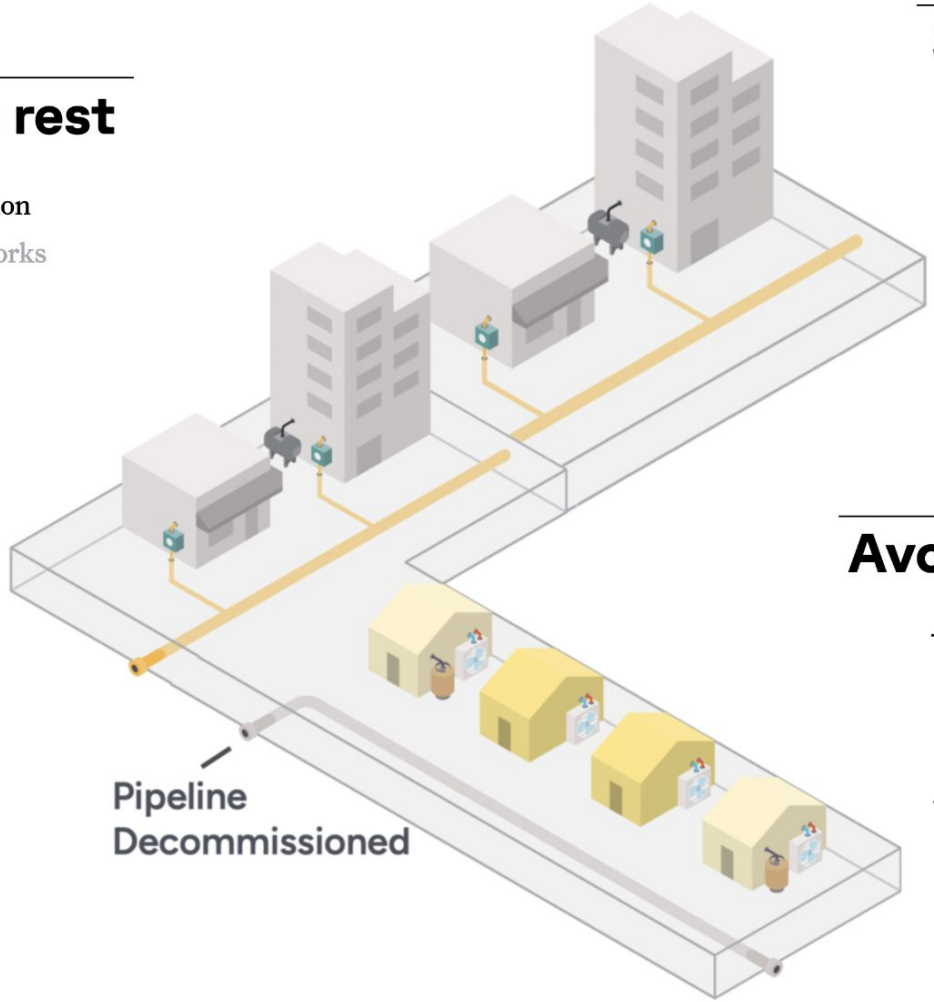
Avoid replacements

- Non-Pipeline Alternatives (NPAs)

  Zonal electrification, if possible

Shut down the rest

- Neighborhood-scale electrification
  - Utility Thermal Energy Networks
- Scattershot electrification
- Who pays for existing pipes?
  - Ratepayers?
  - Taxpayers?
  - Shareholders?



Stop the growth

- Line Extension Allowances
- All-Electric Construction Standard

Avoid replacements

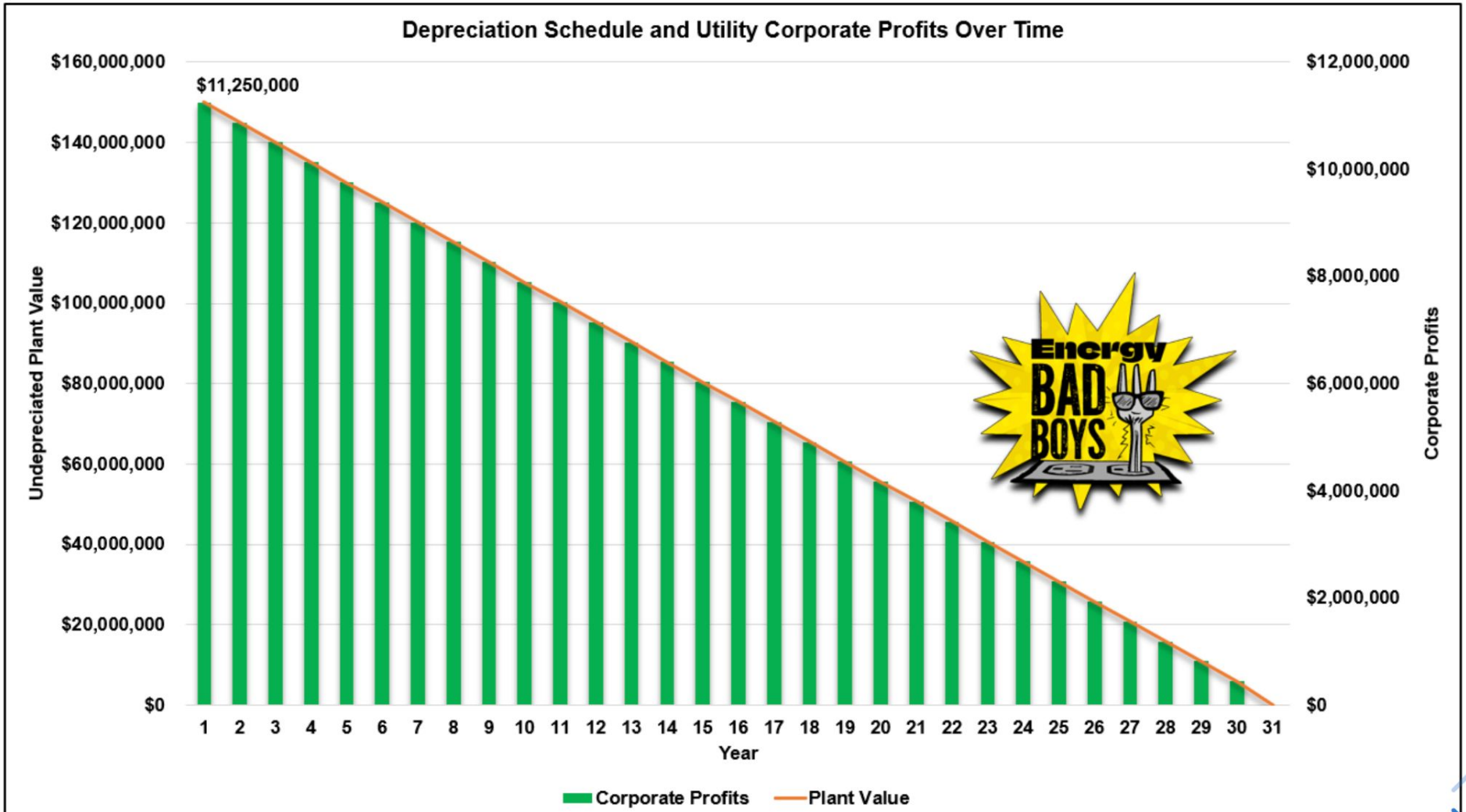
- Non-Pipeline Alternatives (NPAs)
  - Zonal electrification, if possible
  - Repair or relining, if not
- Obligation to Serve (OTS)

Straight Line Depreciation

Depreciation expense = (Cost – Salvage value) / Useful life

Cost of the asset = $11 000 | Estimated useful life = 4 years | Salvage value = $ 1000

Year	Book Value at Start	Depreciation	Book Value at End
2022	11 000	2 000	9 000
2023	9 000	2 000	7 000
2024	7 000	2 000	5 000
2025	5 000	2 000	3 000
2026	3 000	2 000	1 000


Depreciation Schedule and Utility Corporate Profits Over Time
$11,250,000
$160,000,000
$140,000,000
$120,000,000
$100,000,000
$80,000,000
$60,000,000
$40,000,000
$20,000,000
$0
Undepreciated Plant Value
$12,000,000
$10,000,000
$8,000,000
$6,000,000
$4,000,000
$2,000,000
$0
Corporate Profits
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
Year
Corporate Profits
Plant Value
Energy BAD BOYS

SWITCHBOX

web switch.box

bsky @switch.box

mail jpv@switch.box

Q&A

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Thank you for joining!

Reach out to kristen@climate-xchange.org with any additional questions!

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