**State Activity Report**

January 28, 2014

**AGA-NARUC Wall Street Program**

As you know, for the past several years AGA has been sponsoring a “commissioners-only” Wall Street Program. Several times per year, AGA staff accompanies public utility commissioners to New York City for a series of meetings with the financial community, including financial analysts and representatives from the various rating agencies.

On January 21-23, AGA hosted the following commissioners at the program:

- Bob Stump, Chairman, Arizona Corporation Commission
- Swain Whitfield, Commissioner, South Carolina Public Service Commission

As well, the group was joined by Gregg Kantor, President & CEO of NW Natural and current Chairman of AGA’s Board of Directors.

Each of the meetings was structured such that the commissioners were asked to provide brief overviews of the key utility issues in their state, both gas and electric. Financial community representatives then engaged with the commissioners in discussion on how they see regulation affecting their decision making. Each of the meetings was then opened for frank and open discussion from both sides on all issues, regulatory and financial. Below please find brief synopses from the overviews provided by each commissioner as well as general themes from the discussion at each session.

**Kantor**

On behalf of AGA, Kantor drew attention to the American Gas Foundation’s recently released report, *Fueling the Future with Natural Gas: Bringing it Home*. He noted that the report provides a detailed look at the natural gas demand forecast, matching demand with supply. Among its fundamental conclusions, Kantor stated that he believes the most compelling is the fact that it outlines that based on any credible demand forecast moving forward, IHS CERA has deduced that there is enough gas supply to keep prices at or under $5 on average over the course of the next 30 years, even taking into account such things as LNG exports and increased...
use of gas in power generation.

Kantor also gave AGA’s annual presentation to New York’s Society of Security Analysts (NYSSA). A copy of his presentation can be found by clicking here. Of note, during the discussion portion of the luncheon, Kantor stated that he believes that overall public utility commissions do recognize that to attract investment they have to have healthy utilities. He went on to say that he believes commissions across the country understand that this is a long term endeavor and that it is clearly not in their best interest to have a utility fail. He also noted that he sees tremendous innovation in ratemaking, particularly on the gas side as it pertains to such things as natural gas infrastructure replacement and expansion.

**Chairman Stump (AZ)**
Chairman Stump outlined three principles by which the Arizona Corporation Commission (ACC) now operates: gradualism with respect to rate increases and increasing rates too much at one time, prudence and diversity of fuel sources. He noted that electric retail competition and net metering were obviously huge issues during the last year. On the recent net metering decision, Stump expressed that he believes the ACC reached an equitable compromise decision. He finds it notable that the ACC did concede in its decision that there is a cost shift occurring in that realm. As a result of the decision, a fee of $4.90 was imposed for new solar users (that amount and how the commission reached that number was the subject of much debate and discussion among the utility analysts throughout the meetings). On the electric retail competition issue, Stump noted that the ACC has repeatedly asked itself “what problem are we trying to solve.” Proponents assumed that since the commission is comprised of five, free-market conservatives that the issue would be a slam dunk, though that proved not to be the case. Stump also mentioned that renewable energy and water issues would be at the forefront of the commission’s agenda for the coming year.

**Commissioner Whitfield (SC)**
Commissioner Whitfield noted that the SC PSC is comprised of seven commissioners that are elected by the state’s General Assembly. He mentioned that Act 175, which passed in 2004, fundamentally changed the way the commission operates, imposing stringent rules and regulations on commission interactions and activities. He drew attention to the two nuclear units that are expected to come on line in 2017 and 2018, noting that they are the two biggest projects the state has at the moment. On the net metering issue, he noted a public interest in the state, particularly from small businesses and churches, over that issue and distributed generation, but stated that at the commission they are not permitted to engage in state policy discussions, which are left up to the legislature. Whitfield stated his belief that the legislature would take up this issue during this session and that it will be interesting to see how it plays out given that it is an election year.

**General Discussion**
- With respect to RPS: Something like 80 percent of states have an RPS. How do commissioners view them? How do commissions factor into meeting them? What are the trends?
  - Stump: Arizona is exceeding on every level its mandated RPS. The state is unique in that the commission approved the RPS, not the legislature which has led to some tension over the years. There is a movement afoot to increase the RPS to 25% but he does not see that going anywhere given the current complexion of the commission or the legislature. He sees the status quo
remaining for the foreseeable future.

- With respect to general comments about natural gas utilities or the natural gas industry in general:
  - Stump: Arizona clearly has natural gas storage issues. That said, Arizona’s gas utility has been an outstanding player. He noted performance during a recent cold snap as being excellent, highlighted the yard line replacement program and stated that customer relations are above par.
  - Whitfield: South Carolina does not have a rider for pipeline safety or pipeline improvement like many other states. Most cast iron pipelines were removed 25 years ago, so that issue is not as pressing as it is in other states. The state does have some vintage plastic that may need to be looked at in the future. He noted that South Carolina is an RSP state thanks to the rate stabilization law that passed several years ago. Finally, he stressed that ROEs have remained stable in the state.

**NARUC Winter Committee Meetings**

The National Association of Regulatory Utility Commissioners (NARUC) will hold its Winter Committee Meetings February 9-12 in Washington, DC. AGA’s State Affairs team will cover the meeting and will provide a detailed recap following its conclusion. As we have done in the past, we wanted to bring you an update on key agenda items as well as proposed resolutions of interest.

**Agenda**

A copy of the full meeting agenda can be found here: [http://winter.narucmeetings.org/program.cfm](http://winter.narucmeetings.org/program.cfm). Of particular interest are the following panels and sessions:

**General Sessions**

- **Value of the Grid**
  - NARUC President Colette Honorable will moderate this panel which will explore potential changes to interconnection rules and rate structures that may be necessary to enhance the power system to all consumers.
- **U.S. Secretary of Transportation Anthony Foxx will provide remarks**
- **The following Congressional Speakers will address attendees:**
  - Senator Lamar Alexander (TN)
  - Senator Mary Landrieu (LA)
  - Senator Joe Manchin (WV)
  - Senator Lisa Murkowski (AK)
  - Senator Mark Pryor (AR)

**Committee on Gas**

- **Natural Gas as a Transport Fuel**
  - Kevin McCrackin, Vice President Utility Marketing at AGL Resources, will participate in this session which will examine the benefits of natural gas a transportation fuel and provide an inside look at the different methods used to promote natural gas vehicles. AGA worked with Commissioner Eduardo Balbis (FL) to secure this panel.

- **Flaring Reductions Technologies**
Participants for this panel have not yet been named. In addition, we are aware that Chairman Snitchler (OH) will be introducing a resolution on flaring and/or associated infrastructure.

**Pipeline Safety: Building and Sustaining a Culture of Safety**
- In this panel, federal and state safety experts, including Nick Stavropoulos, Executive Vice President of Gas Operations for PG&E Corporation, will discuss the industry’s progress in building a safety culture. AGA worked to secure this panel.

**Midstream Infrastructure Investment**
- This panel will provide an in-depth examination of critical infrastructure associated with midstream pipeline supply systems to meet the nation’s current and future demand for natural gas.

**LNG Exports**

**Fueling the Future and Economic Benefits of Shale Gas**
- This session will provide an overview of the recently released American Gas Foundation/IHS CERA report titled “Fueling the Future with Natural Gas: Bringing it Home.” Fueling the Future looks at conventional projections of natural gas demand and considers technologies and potential markets that, to date, have been overlooked or under-appreciated. AGA worked to secure this panel and slated Tim Gardner (HIS CERA) and Kevin Petak (ICF International) to participate.

**Where is the Future Headed? Roundtable Industry Discussion**
- During this session officials from natural gas-affiliated trade organizations will discuss what they see as the major regulatory and legislative challenges and opportunities for the coming year. Greg Kantor, Chairman of AGA’s Board and President & CEO of NW Natural, will participate.

**Staff Subcommittee on Gas**
- During the meeting of the Staff Subcommittee on Gas, the following issues will be discussed:
  - **Natural Gas Life Cycle Analysis;** Tim Skone (NETL) and Dr. Garvin Heath (NREL) will discuss how Life Cycle Analysis (LCA) can be used to identify methane emissions policy and research opportunities in support of the President’s Climate Action Plan.
  - **NOAA’s New Suite of Climate Normals;** The National Climate Data Center will discuss stakeholder engagement as it pertains to concerns voiced by energy companies and regulators relative to 30-year Climate Normals and their ability to be predictive of future conditions, particularly as they relate to temperature.
  - **The Challenges of Ratemaking for State Utility Commissions;** Ken Costello from NRRI will deliver a presentation on this topic.
  - **BCSE Fact Book;** Ruth McCormick from the Business Council for Sustainable Energy will deliver a presentation on the group’s updated 2014 Sustainable Energy in America Factbook.

**Committee on Energy Resources and Environment**
- **Risky Business: Harnessing Industry Expertise to Assess and**
Respond to Severe Weather Risks
  o Stuart Nachmias, Vice President of Energy Policy and Regulatory Affairs at Con Edison, will participate on this panel which will examine the process of quantifying the risks, both in probability and impact, of more frequent and severe weather events, the costs and efforts to recovery from such events and what lessons have been learned and challenges we face in building up the resiliency of infrastructure to withstand disruptions.
  
  • Sustaining and Expanding Long-Term Energy Efficiency Goals
  o This panel will discuss current and expected savings of behavioral efficiency, a not well understood approach to incenting customers to alter their behaviors to save energy.

NASEO 2014 Energy Outlook Conference
The National Association of State Energy Officials (NASEO) will hold its 2014 Energy Outlook Conference February 5-7 in Washington, DC. A link to the full conference agenda can be found by clicking here: http://energyoutlook.naseo.org/agenda

The modernization of our nation’s energy infrastructure will be the key prevailing theme and issue of the conference. Of particular interest are the following panels and sessions:

  • AGA’s Kyle Rogers and David Weaver from AGL Resources will co-present a session titled From State Energy Planning to Pipes in the Ground: Advancing Natural Gas Infrastructure Expansion and Modernization. Both presentations will be similar to what each has given in the past, in particular at NCSL’s Fall Forum. They will explore policy and regulatory pathways that are being adopted by states to achieve accelerated replacement and optimal natural gas infrastructure expansion.

  • AGA’s Kathryn Clay will participate in a roundtable discussion of the NASEO Transportation Committee which will explore the channels to spur collaboration among State Energy Offices, state departments of transportation, local Clean Cities Coalitions and private sector partners on the accelerated deployment of alternatively fueled vehicles.

  • Other relevant sessions include:
    o Assigning Priority to Resilience: America’s Great Energy and Economic Opportunity
    o Making Energy Efficiency, Demand Response and Distributed Generation Count as Grid Resources
    o Cybersecurity: Exploring the Impacts of Our Growing Dependence on Information Technology
    o Increasing Funding and Implementation of Multifamily Energy Efficiency Programs

Fueling the Future Update
As an update to the report we provided you with respect to the launch of the “Fueling the Future with Natural Gas: Bringing it Home” study last week, we wanted to let you know that the study and its associated collateral materials went to the following state membership related groups earlier this week:
- NARUC Commissioners
- NCSL Members: Energy Supply Task Force, Standing Committee on Natural Resources and Infrastructure
- ALEC Members: Energy, Environment & Agriculture Task Force
- CSG Members: Energy & Environmental Public Policy Committee

It will also be sent to the office of each governor and attorney general this week.

**2014 Events**
A preliminary list of 2014 events can be found below. We will continue to update this list throughout the year as meetings and events are added and/or changed.

### February 2014

- NASEO 2014 Energy Outlook Conference  
  February 4-7 | Washington, DC
- NARUC Winter Committee Meetings  
  February 9-12 | Washington, DC
- NGA Winter Meeting  
  February 20-22 | Washington, DC
- RAGA Winter National Meeting  
  February 23-24 | Washington, DC
- DGA Winter Policy Conference  
  February 28-March 1 | San Juan, PR

### March 2014

- NMU Current Issues Conference  
  March 9-12 | Santa Fe, NM
- 2014 Environmental Council of States (ECOS) Spring Meeting  
  March 31-April 2 | San Francisco, CA

### April 2014

- GTI PIAC Meeting  
  April 28-29 | Chicago, IL

### May 2014

- GOPAC Emerging Leaders Summit  
  May | New York, NY
- DGA Spring Policy Conference  
  May 6-7 | Eastern Shore, MD
- RLCC Southern Regional Meeting
### June 2014

- **NARUC: 2014 Western Conference**
  June 1-4 | Seattle, WA

- **NARUC: Mid-American Regulatory Commissioners (MARC) Meeting**
  June 1-4 | Indianapolis, IN

- **DGA Northeastern Policy Conference**
  June 3-4 | Stamford, CT

- **RAGA Summer National Meeting**
  June 21-24 | San Diego, CA

- **NARUC: 2014 NECPUC Symposium**
  June 15-17 | Stowe, VT

- **DGA Regional Policy Conference**
  June 24-25 | Chicago, IL

- **NARUC: MACRUC Annual Education Conference**
  June 22-25 | Hershey, PA

### July 2014

- **GOPAC State Legislative Leaders Summit**
  July | TBD

- **NGA Summer Meeting**
  July 11-13 | Nashville, TN

- **CSG: Midwestern Legislative Conference Annual Meeting**
  July 13-16 | Omaha, NE

- **NARUC Summer Committee Meetings**
  July 13-16 | Dallas, TX

- **RLCC National Meeting**
  July 17-19 | The Broadmoor, Colorado Springs, CO

- **CSG: Southern Legislative Conference Annual Meeting**
  July 26-30 | Little Rock, AR

### August 2014

- **DGA Summer Policy Conference**
  August 1-3 | Aspen, CO

- **CSG West Annual Meeting**
  August 9-13 | Anchorage, AK

- **NCSL Legislative Summit**
August 19-22 | Minneapolis, MN

September 2014

NASEO 2014 Annual Meeting
September 8-11 | Savannah, GA

RSLC Annual Retreat
September 28-30 | Amelia Island, FL

October 2014

November 2014

RLCC Policy Retreat
Nov. 12-13 | Washington, DC

RAGA Fall National Meeting
November 15-18 | Miami, FL

NARUC 125th Annual Meeting
November 16-19 | San Francisco, CA

December 2014

NCSL Fall Forum
December 10-12 | Washington, DC