



# Gas Capacity Stakeholder Meeting

April 29, 2021

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# **Opening Remarks:**

**Kevin Nedza**

Director of Special Projects,  
New Jersey BPU



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**London Economics International LLC**

# **New Jersey Gas Capacity Stakeholder Meeting**

**Prepared for the New Jersey  
Board of Public Utilities (“BPU”)**

April 29, 2021



# LEI is a global economic, financial, and strategic advisory professional services firm specializing in energy and infrastructure

London Economics International LLC (“LEI”) combines detailed understanding of specific network and commodity industries, such as gas transmission and distribution, with a suite of proprietary quantitative models to produce reliable and comprehensible results

LEI is active across the electric and gas sector and has a comprehensive understanding of the issues faced by investors, utilities, and regulators alike. LEI’s related areas of expertise include:

## GAS DISTRIBUTION ADVISORY

LEI has worked on key issues facing gas distribution, including franchise expansion, performance-based ratemaking, and cost recovery. LEI has performed productivity studies of gas distribution utilities

## EXPERT TESTIMONY

LEI produces reliable testimony backed by strong empirical evidence. LEI has provided expert witness services in the areas of materiality, cost of capital, market power, tax valuations, natural gas pipelines, and gas and electric utility regulation

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## REGULATORY ECONOMICS

LEI has expertise in rate design for electric power and natural gas distribution companies. LEI’s engagements have been on behalf of regulators as well as utilities

## ASSET VALUATION

LEI has exhaustive sector knowledge and a suite of state-of-the-art proprietary quantitative modeling tools (e.g., gas hub pricing models). LEI has provided fuel contract due diligence support, valuation, and economic appraisal

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GAS DISTRIBUTION  
ADVISORY



REGULATORY  
ECONOMICS, PBR &  
MARKET DESIGN



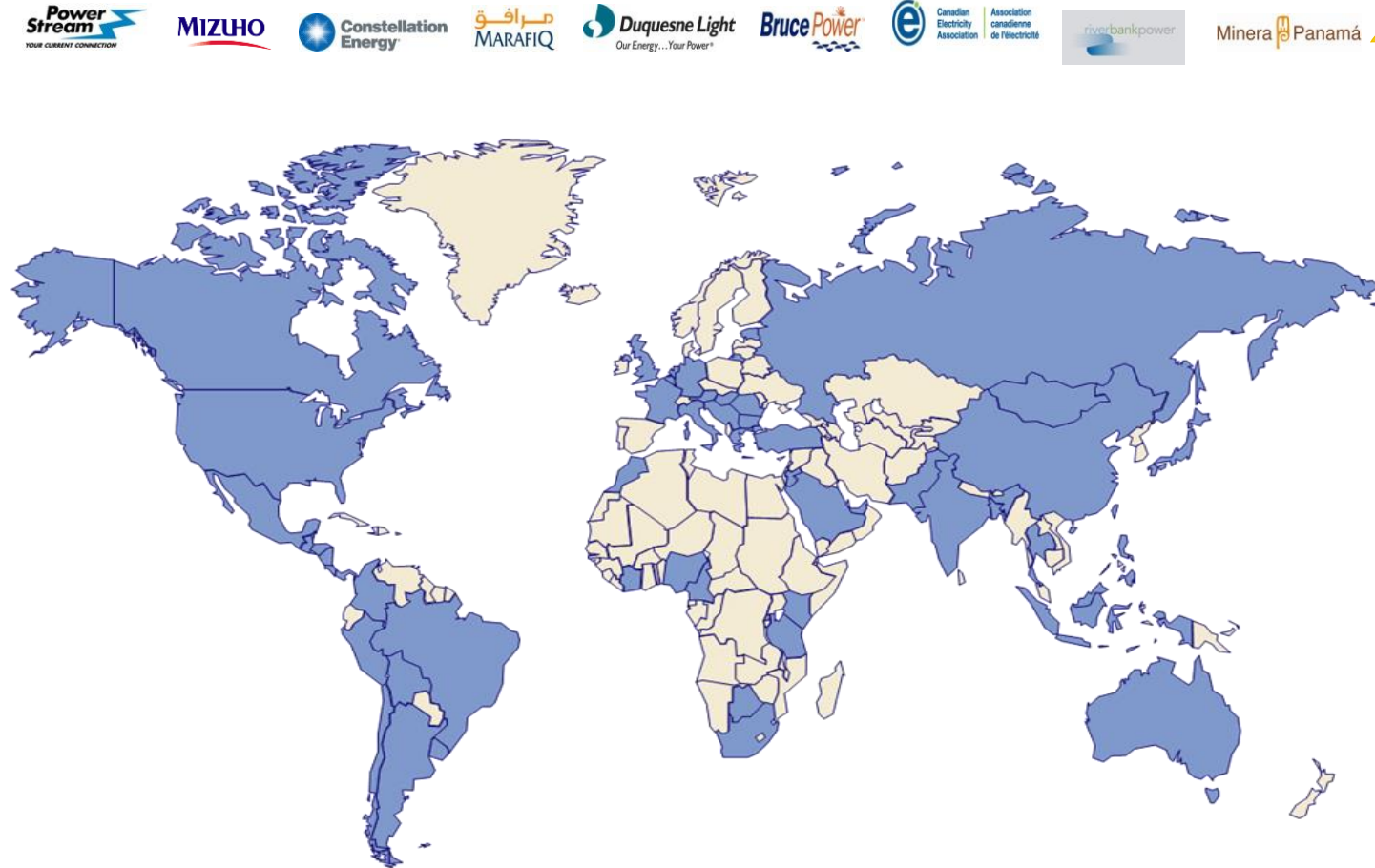
EXPERT TESTIMONY &  
LITIGATION CONSULTING



ASSET VALUATION,  
PRICE FORECASTING &  
MARKET ANALYSIS



# LEI has served numerous energy sector clients around the world, covering a wide range of positions and interests



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ELECTRICITY & CO-GENERATION REGULATORY AUTHORITY

## LEI has been advising natural gas and electric utilities and regulators since the 1990s

LEI has significant knowledge of the US interstate gas pipeline sector, and has a sound understanding of natural gas transmission and distribution in the US Northeast, developed through numerous engagements. LEI summarizes a sample of these projects below:

1

For a **state regulator** in New England, LEI evaluated the **options for expansion of natural gas capacity into the region**, with a view to reducing the cost of gas and power to customers. LEI's analysis was underpinned by a detailed US-wide pipeline network model, in which supply, demand, and gas transportation costs were modeled in detail

2

For a **local gas distribution company**, LEI supported a rate filing for performance-based ratemaking. LEI conducted an **econometric benchmarking analysis of utility performance** to help set expectations for further efficiency improvement and to set an appropriate stretch factor. The benchmarking report was used by counsel to develop the company's strategy for the rate filing; LEI provided testimony and related support for the filing

3

For a **state attorney general's office**, LEI examined a petition by a local gas distribution company for approval of a contract for **firm transportation** on a new natural gas pipeline project

# The LEI project team has extensive experience in the fields of gas market analysis and expert testimony in regulatory proceedings



**Dr. Marie Fagan**

Chief Economist

## 25+ years' experience

- Experience spans international **upstream and downstream oil and gas**, North American power markets, regulated power systems, and gas transportation and distribution
- Directs LEI's **gas pipeline modeling** based on a sophisticated network model, preparing price forecasts and analysis of flows on North American interstate pipelines
- Provides **in-depth expert testimony** on issues such as pipeline capacity and utilization in key regions, and gas distribution company matters



**Mugwe Kiragu**

Senior Consultant

## 5+ years' experience

- Served as project manager providing regulatory support to an intervenor in a **gas pipeline tariff application**
- Conducted an independent **risk assessment and capital structure review** for a large gas distributor
- Lead modeler and expert for the **Southwest Power Pool energy market**
- Previous experience includes positions in government, focusing on **infrastructure procurement**



**Stella Mueller**

Senior Consultant

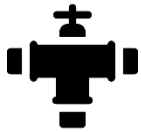
## 2+ years' experience

- Provides **regulatory advisory services for natural gas networks**, power markets, and infrastructure
- Prepared **evidence** for multiple regulatory proceedings
- Involved in the **annual management audit** of the oil, gas, coal, and energy procurement activities of a vertically-integrated electric utility
- Previous experience includes work in various **economic roles** in government

# LEI has been engaged to study natural gas pipeline capacity and its adequacy to meet current and future demand of NJ customers

- ▶ **The objectives of the engagement are to assist the NJ BPU in:**
  - **determining if sufficient natural gas capacity exists** on the regional interstate pipeline system to meet the future peak day demand forecast of New Jersey’s GDCs; and
  - **determining if there will be sufficient capacity in the mid-term (present through 2030) to ensure uninterrupted supply to all firm natural gas customers in New Jersey**

## Scope of work



### 1. Analyses of infrastructure, markets, demand, and non-pipes solutions

Includes a description of the **regional natural gas pipeline infrastructure** and **market structure**, a review of New Jersey’s current **natural gas demand requirements and forecasts through 2030**, and an overview of **potential non-pipeline solutions** to address capacity issues



### 2. Proceeding reports review

Analysis of the **NJNG/Levitan** and **EDF/NJCF/Skipping Stone reports** submitted to the BPU in Docket No. GO19070846 (*In the Matter of the Exploration of Gas Capacity and Related Issues*)



### 3. Shortfall risk assessment

Assessment of the risk of a shortfall in natural gas capacity in the medium term, specifically examining the **potential scale of shortfalls** and the **options for meeting shortfalls to 2030**



### 4. Development of best practice measures and playbook

Includes a playbook of **appropriate responses to possible emergencies** from extreme weather and/or supply disruptions, based on regulatory policies and methods adopted by other jurisdictions



# LEI will cover numerous topics in its analysis of natural gas capacity to serve New Jersey firm customers

## Main topics in the report



### Reliability

The engagement is focused on the reliability of the gas system to meet firm demand



### Design day firm demand

LEI will examine historical trends and develop design day demand scenarios out to 2030



### Non-pipes solutions

LEI will examine demand- and supply-side alternatives to pipeline capacity



### NJ Energy Master Plan and Clean Energy Act

LEI will incorporate and consider the electrification and energy efficiency goals outlined in the EMP and CEA



# Public Comments

- All comments received during this meeting will be added to the official record on this docket.
- If you did not pre-register to speak at this meeting but wish to speak please notify staff using the Q&A feature
- Please try and limit your comments to the specific matter at hand.
- Please remain respectful of all other speakers.



# Written Comments

- The Board will be accepting written comments on this matter until **5pm E.S.T. on May 13, 2021.**
- Please submit your written comments in PDF or Word format to [board.secretary@bpu.nj.gov](mailto:board.secretary@bpu.nj.gov) or see meeting notice for e-filing instructions.
- The subject line should include: “Docket No. GO20010033” along with the name of the commenter and the company or organization.
- While electronic comments are preferred, written comments may also be mailed to the Board Secretary, Aida Camacho, at the Board of Public Utilities, 44 South Clinton Avenue, 9th Floor, P.O. Box 350, Trenton, NJ 08625-0350.



# Thank You!