NATURAL GAS UTILITY EXPANSION SERVICES

ACTIONABLE STRATEGIES FOR ACHIEVING GROWTH GOALS
NATURAL GAS GROWTH: STRATEGY, POLICY AND EXECUTION

State legislative and regulatory policies throughout the U.S. are evolving largely due to wholesale market economics leading to compelling opportunities for natural gas conversion and market expansion for natural gas distribution companies. However, there are a number of challenges that must be considered when preparing and implementing your company’s growth strategies.

Black & Veatch provides comprehensive support for natural gas distribution companies exploring customer expansion opportunities. Our approach is centered on a collaborative working partnership and assistance in several interrelated areas. Conducting an initial situational assessment is critical to understanding how a utility expansion initiative will fit with your organization’s overall strategic direction and competing demands for capital and internal resources. This strategic determination should include development of comprehensive capital expenditure and revenue forecasts that provide insights into long-term returns on investment and other financial aspects of any expansion plans.

MARKET SIZE & SCOPE
Understanding the growth potential, by customer segment, within each targeted geographic area is necessary to prioritize a utility’s expansion plans. Utility leaders should also consider growth in additional service areas, such as CNG/LNG, and how each could affect the economics of extending pipeline services. Finally, it is important to understand how growth will impact local and regional infrastructure and if existing infrastructure can accommodate additional demands for natural gas.

INTERNAL & EXTERNAL RESOURCES
An important component to the success of a gas expansion strategy is an assessment of the internal processes and policies that will interact with or otherwise impact the initiative – those that enable and those that challenge. Some processes will need to be updated, others created or eliminated. Ultimately, decisions regarding the use of internal resources versus third-party contractors are also necessary to achieve the right balance for a successful expansion program.

REGULATORY LANDSCAPE
Obtaining a thorough grasp of legislation and regulatory precedents across the natural gas utility industry that enable gas expansion will help in navigating the regulatory landscape, its constraints and opportunities. This phase also enables utility leaders to determine what types of cost recovery mechanisms should be used in order to best meet the needs of the organization and its current and future customers.

CUSTOMER & STAKEHOLDER OUTREACH
Acceptance of the utility’s proposed expansion program by current and prospective customers is critical to achieving these types of growth initiatives. Many growth programs succeed or fail based on the effectiveness of customer outreach and engagement, particularly among target communities, developers, businesses and homeowners who would be served by the expansion program.
OUR RELEVANT EXPERTISE AND EXPERIENCE

Black & Veatch provides industry-wide perspectives on key financial and regulatory issues and “lessons learned” in other jurisdictions to avoid regulatory pitfalls. We offer deep experience and capabilities in designated topical areas to supplement and enhance a utility’s internal resources. We have advised utility clients on natural gas expansion investment costs and recovery methods, market evaluations, management policies and procedures, and related regulatory initiatives through the following types of services:

- Designed new customer rates as part of a restructuring of the client’s new business extension policy authorized by its regulatory commission predicated on a financial investment analysis tool.
- Provided expert witness testimony on the subject of new area expansion programs in the U.S. and supported a utility client’s proposal in a general rate case proceeding.
- Conducted distributed CNG and LNG market studies assessing the potential conversion for traditional (e.g., stationary commercial and industrial) and non-traditional (e.g., transportation, rail, marine, mining) markets; identified anchor clients and their proximity to client’s system.
- Evaluated the policies, procedures, and financial tools used to acquire new customers; performed an assessment of the impact of customer growth on earnings; recommended modifications to operational policies and procedures, and construction cost control areas; and offered regulatory solutions to meet the regulatory requirements of a multi-jurisdictional utility client.
- Performed benchmarking of a utility client’s new business investment costs and the management policies and practices that influence new business capital investment against those of similarly-situated peer utilities, including identification of best practices.

BLACK & VEATCH SERVICES RELATED TO NATURAL GAS GROWTH

- Natural gas expansion strategy and policy support
- Demographic analysis and related financial modeling to drive marketing campaigns
- Market analysis and forecasts, including strategic assessments of emerging competitive markets
- Engineering and technical resources to support CNG/LNG infrastructure analysis
- Review capital investment costs of new business and related internal functional processes
- Operational and cost performance benchmarking and best practices
- Innovative pricing and cost recovery mechanisms to foster customer growth
- Economic analysis to support new business tariff policies
- Regulatory support, including expert testimony
BUILDING A WORLD OF DIFFERENCE®

Black & Veatch is an employee-owned, global leader in building critical human infrastructure in Energy, Water, Telecommunications and Government Services. Since 1915, we have helped our clients improve the lives of people in over 100 countries through consulting, engineering, construction, operations and program management. Our revenues in 2014 were US $3 billion. Follow us on www.bv.com and in social media.

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