

Gas Long-Term Investment Planning & Annual Budget Setting

June 4, 4-5pm
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My Role: Helping Teams Make Confident Investment Decisions

- **Manager, Investment Planning with 10+ years in strategic planning and analysis**
- **Lead planning and prioritization for complex capital portfolios (upward of \$1 billion annually)**
- **Bridge finance and real-world business decisions**
- **I believe good planning is more about judgment than spreadsheets**

Agenda and Learning Objectives for the Session

Topics Covered:

- Importance of Long-Term Investment Planning
- Fundamental Planning Components
- Investment Prioritization
- Scenario Analysis
- Annual Budget Setting and Variance Management

By the end of this session, you will understand:

- Why long-term planning matters for gas utilities
- What drives the gas capital portfolio
- How uncertainty is addressed through scenario analysis
- How long-term plans translate into annual budgets and controls

Importance of Gas Long-Term Investment Planning

Strategic Foundation

Gas investments typically have a long life of at least 30–50 years. This long asset horizon means that planning must consider multi-decade system needs. Effective long-term planning ensures safe, reliable, and affordable gas service while supporting infrastructure decisions that remain resilient over time.



Balancing Priorities

Long-term planning balances safety, reliability, cost/customer affordability, and regulatory compliance.

Regulatory Transparency

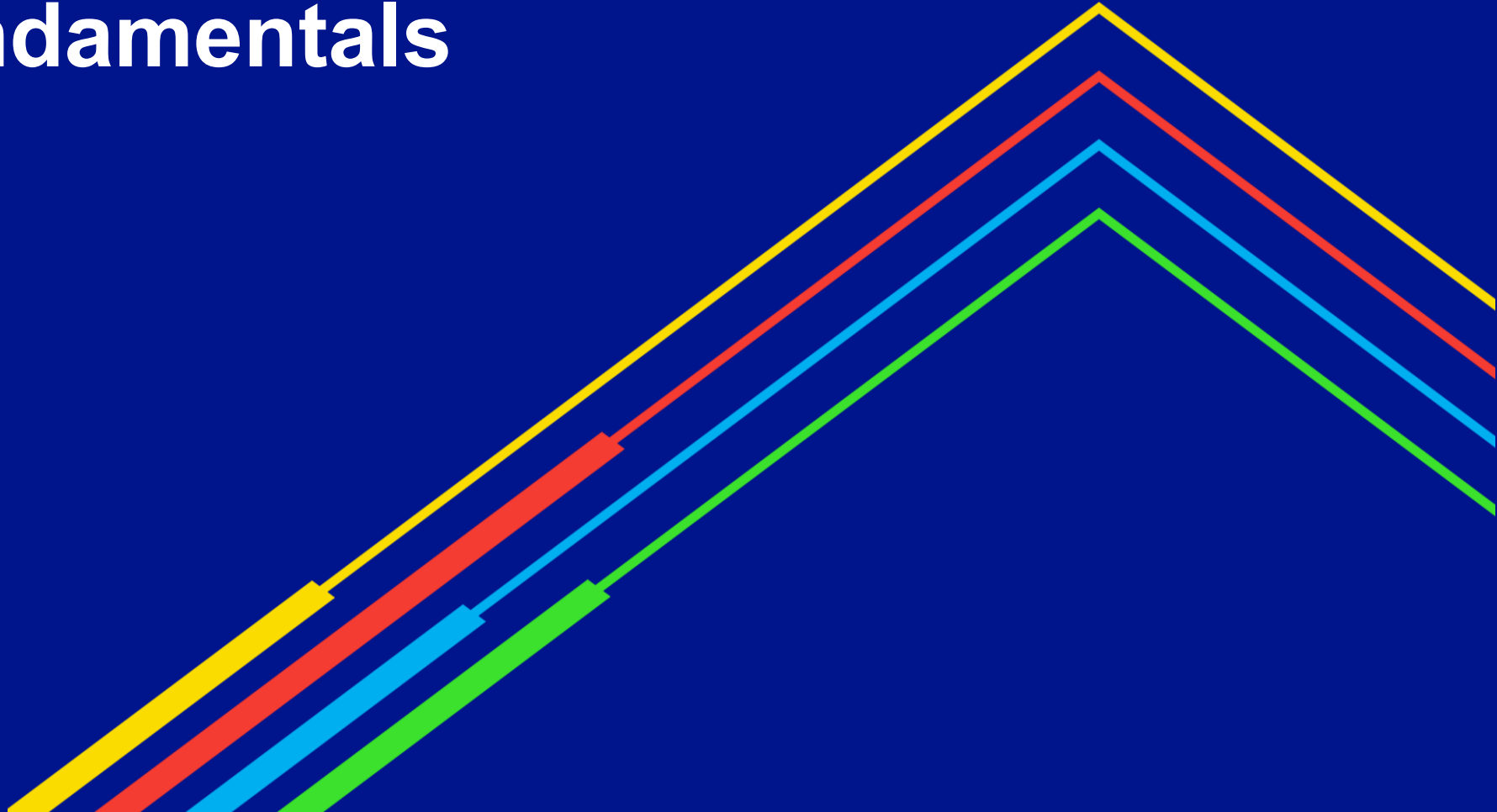
Robust long-term planning enhances credibility in regulatory proceedings and serves as a key input to rate case development by clearly demonstrating the need, timing, and value of proposed investments.

Corporate Financial and Strategic Alignment

Long-term investment planning is a critical driver of financial stability, ensuring that capital is deployed strategically, responsibly, and in ways that sustain the company's long-term value.

Regulatory Context and Planning Fundamentals

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Gas companies earn a regulated return on capital investments

Across the U.S., state utility regulators are responsible for ensuring that utilities provide safe, affordable, and reliable energy at just and reasonable rates. Regulated utilities are granted the opportunity to earn a rate of return on expenditures on used and useful assets, as determined by state utility regulators

Profit = Allowed ROE x Equity portion of the Rate Base

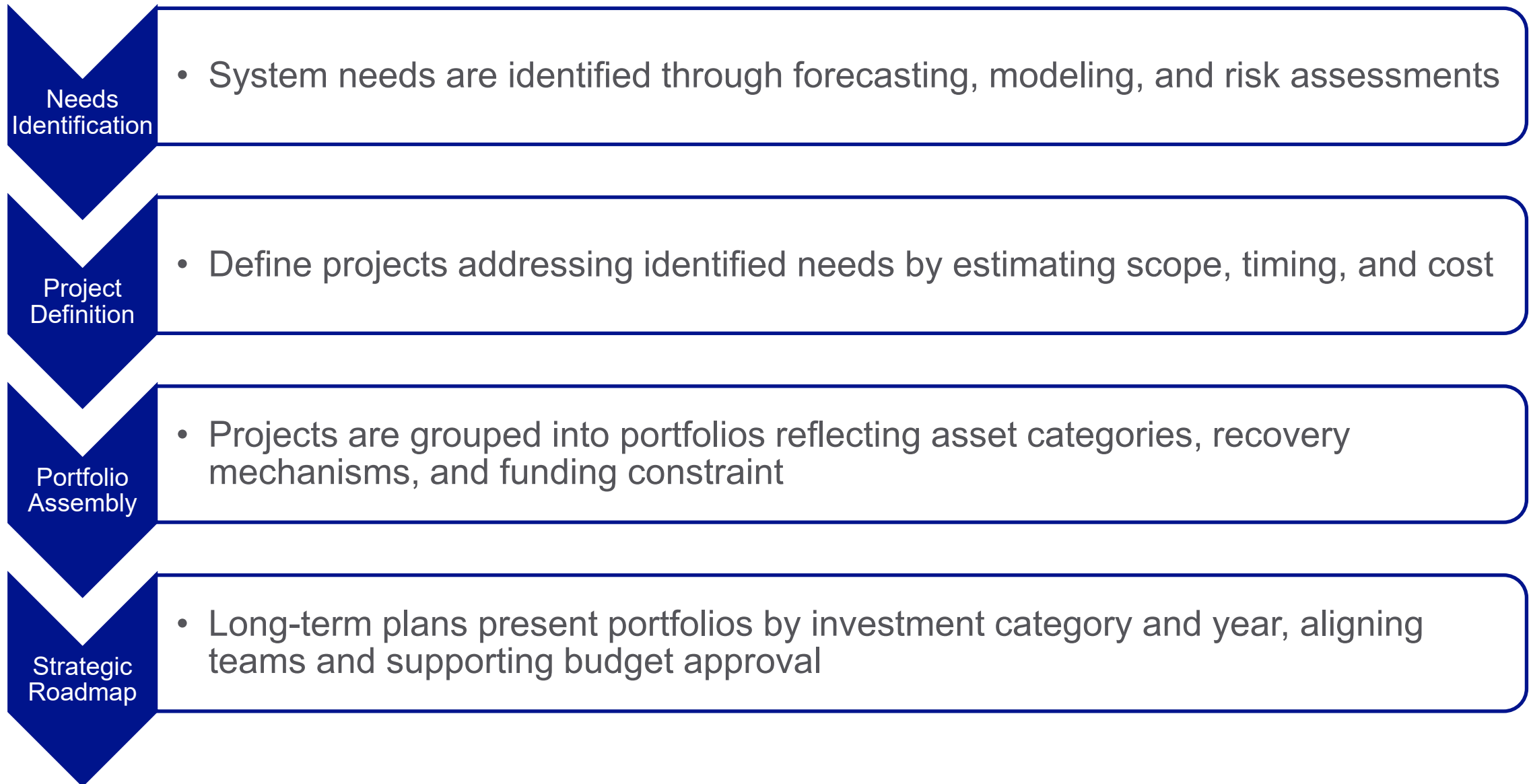
Return on Equity: State public utility commissions authorize the profit the utility can earn, expressed as a percentage

Rate Base: When a gas utility builds or upgrades infrastructure (i.e. capital investments), such as gas mains, pipelines, compressor stations, or storage facilities, the cost of those assets is added to what regulators call the rate base.

Gas investment portfolio is driven by safety & reliability needs, policy and regulatory compliance, customer demand, and corporate strategy

Driver Category	Rationale	Examples
Policy & Regulatory Compliance	Assets replaced due to mandated timelines and compliance requirements; emissions-reducing infrastructure.	Leak prone pipe replacement, meter changes, PHMSA-driven programs, 3 rd layer over pressure regulation protection
Safety & Reliability	Reliability and pipe integrity	Leak-prone pipe replacement, LNG end of life asset replacement, gas planning projects
Customer Demand	Forecast changes; peak load trends; supply adequacy triggers	New customer connections, system reinforcement projects, new pipeline/LNG vaporization capacity
Corporate Strategy	Corporate GHG targets; efficiency targets	Geothermal, RNG, hydrogen pilots, electrification etc.

System needs translate into capital portfolio and long-term investment plans



Balancing priorities against multiple constraints is one of the biggest challenges in investment planning

Risk Prioritization

Prioritize investments that deliver the highest safety and reliability value per dollar, minimizing rate impacts while meeting regulatory obligations (utilizing tools such as Copperleaf)

Sound Investments

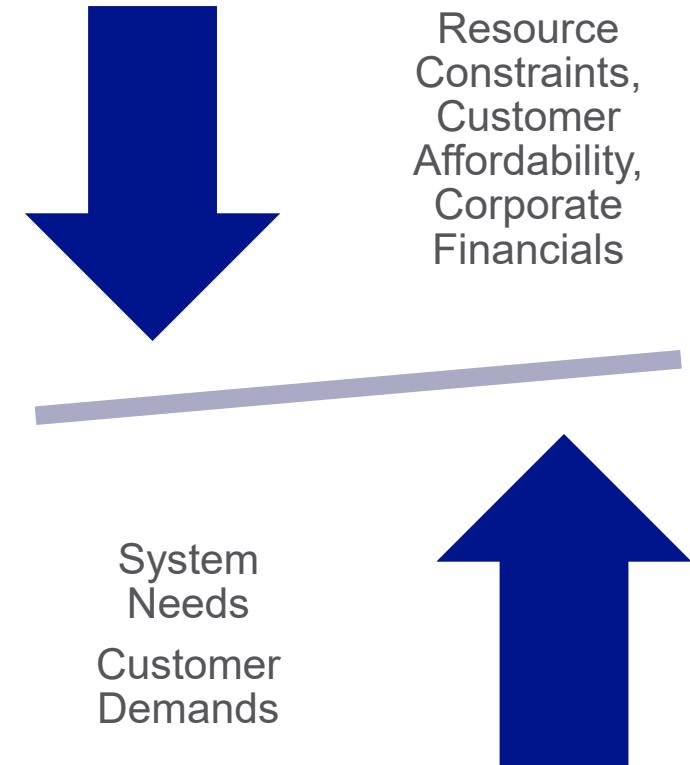
Maintain strong financial footing by making prudent, regulator-approved investments aligned with statutory mandates and recovery mechanisms

Corporate Financial and Strategic Alignment

Manage long-term risk by balancing infrastructure needs with emerging decarbonization pathways and uncertainty in future gas throughput

Churns, Efficiencies & Optimization

Incorporate considerations for schedule shifts—particularly for large projects—as well as cost-savings initiatives, electrification, and advancements in alternative technologies



You have \$100M to spend. What do you fund?

Choose a combination from the following:

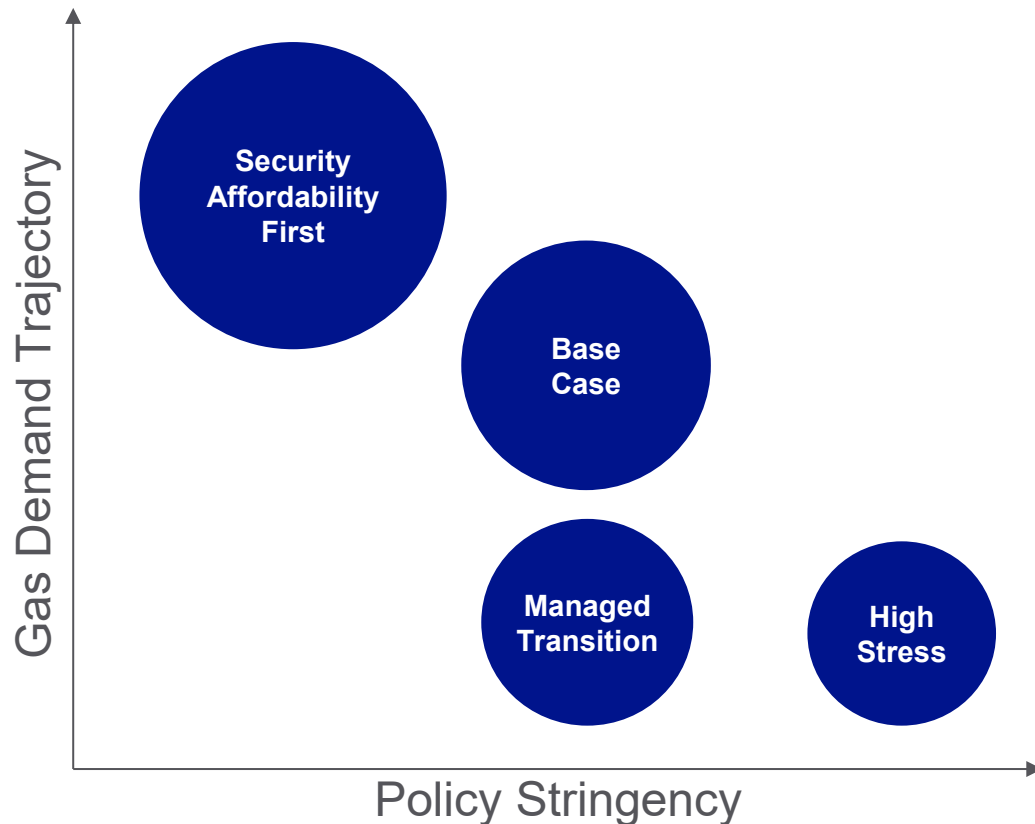
- Replace leak-prone pipes in high-risk area (\$50M)
- Reinforce system for new customer growth (\$20M)
- Pilot hydrogen blending project (\$10M)
- Replace end of life LNG assets (\$30M)
- Accelerate pipe replacement beyond regulatory requirement (\$20M)
- Reduce customer rate impact this year by not spending (defer projects)

 **Be ready to explain your choices**

Scenario analysis is important for gas utilities with long span of asset lives and high uncertainties in the long run

Key benefit: Reduces the risk of being “wrong in one direction.”

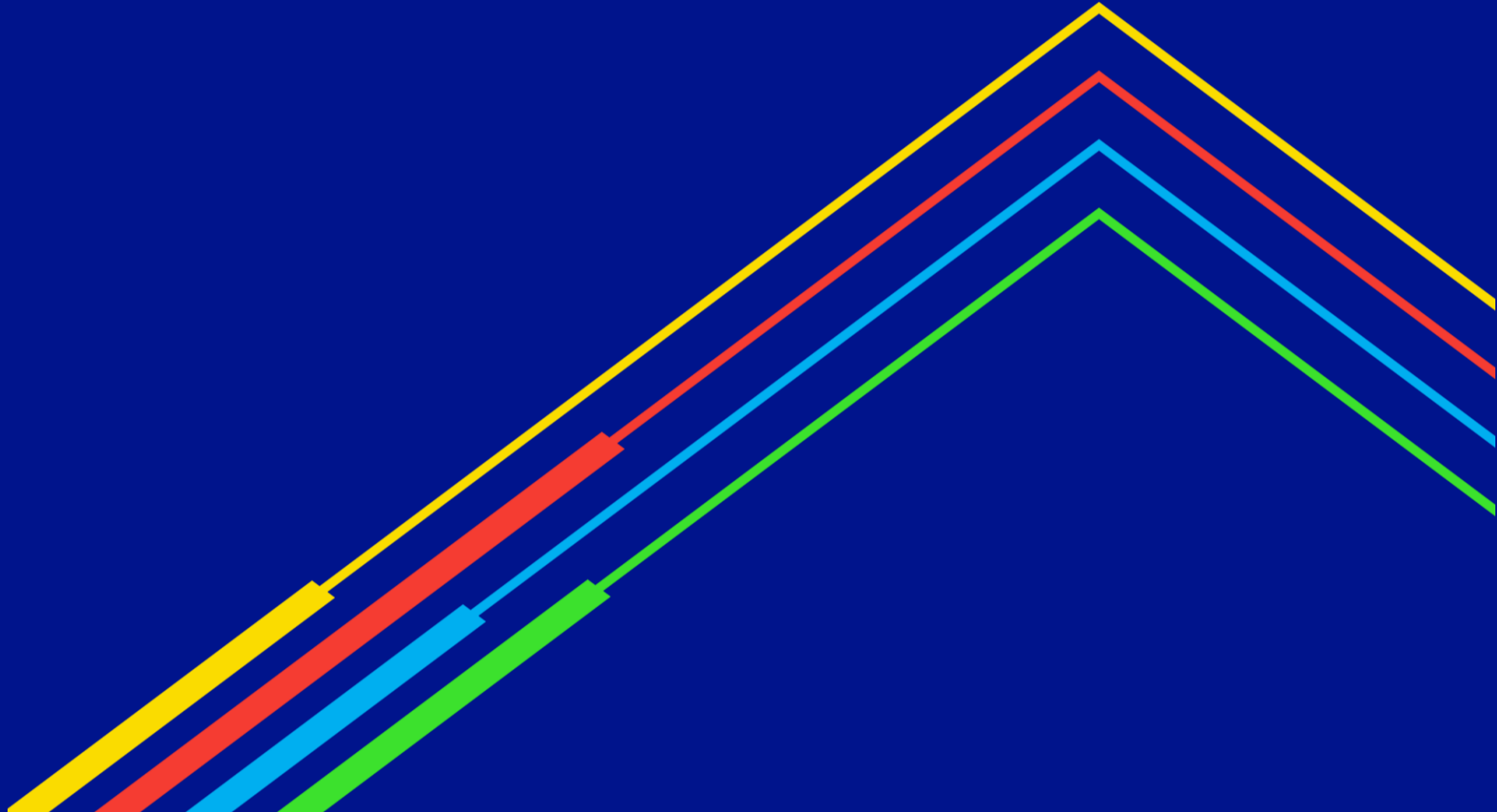
Long term uncertainty around: demand decline, policy and regulatory shifts, energy transition pace



What Scenario Analysis Produces

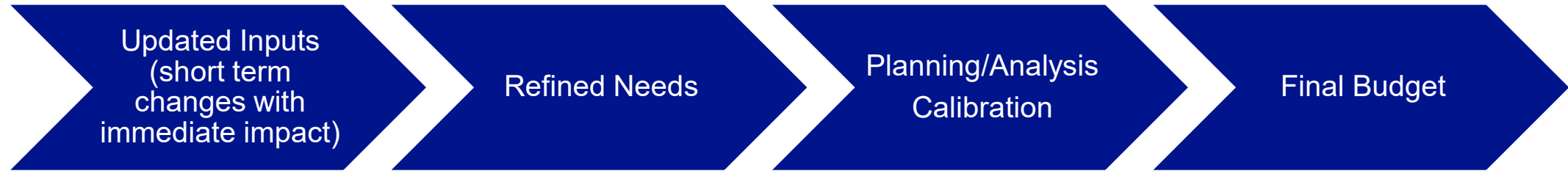
- Capital spend ranges and confidence bands around long-term spend
- Replacement pacing options (continue and accelerate vs. maintain and safety only)
- Asset lives and depreciation strategy insights
- Lists of no-regret investments (good in all scenarios)

Budget Setting and Variance Management



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Annual budget setting involves finetuning individual investment needs and portfolio calibration



- Focus on finetuning individual project/program budget with the latest information available
- Calibration to ensure the final budget is within bounds of the long-term plan
 - Prioritization
 - Project readiness
 - Potential risks and opportunities
- This then becomes baseline for financial tracking
- Additional target around plant in service amount is also set up around this time to ensure the spend convert to used and useful assets and subsequently recovery

From Budget Approval to Execution



- Based on budget and available resource, detailed work plan is put in place to ensure successful execution
- Sanction papers and spending authorizations are crucial in documenting investment needs and prudence, typically included in rate case filings
- Financial and other tracking systems (e.g. Copperleaf) are updated to establish baseline for tracking later on

Q&A / Open Discussion

- **What surprised you?**
- **What do you think is the biggest uncertainty in gas investment planning?**
- **What trade-offs felt hardest?**

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Variance management allows timely adjustments that in turn help ensure spend is on track to budget

Monthly Reviews

Monthly governance cycles ensures timely review of variance and drivers, and forming response strategies

Variance Root-Cause Analysis and Reforecasting

Detailed documentation of drivers and updated forecast is required in variance management

Regulatory Alignment

For investments forecasting at above a certain threshold, re-authorization such as re-sanctions or electronic authorizations are required, with clear explanation documented

In-Year Risk & Opportunity Log

This log is to capture any potential risks and opportunities that may transpire at a later time

Executive Dashboards and Review

Monthly review with execs to review variances and form response strategies

Over spend

- Defer lower-priority projects
- Reduce scope where possible
- Re-sequence work to future years

Under spend

- Pull ahead shovel-ready projects
- Increase contractor crews temporarily
- Adjust timing of procurement