



News & Analysis • Extra

# Forecast for 2024 hurricane season includes record number of Atlantic storms

Karin Rives • Commodity Insights

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**Oil tanks and refineries, such as these in Galveston Bay, Texas, could be exposed to more hurricanes in 2024.**

*Source: albergman/E+ via Getty Images.*

The 2024 Atlantic hurricane season is projected to bring a record number of storms, officials with the National Oceanic and Atmospheric Administration said during a May 23 news conference.

"Now is the time to prepare," Administrator Rick Spinrad said at a media briefing held in conjunction with the release of the annual outlook for the six-month hurricane season, which begins in June.

The National Oceanic and Atmospheric Administration (NOAA) is forecasting between 17 and 25 named storms, defined as having winds of 39 mph or higher. Eight to 13 of these storms are expected to become hurricanes, with winds reaching at least 74 mph. Half of the hurricanes could fall into the major category with winds of at least 111 mph.

The NOAA National Weather Service forecasters at the Climate Prediction Center deliver their outlook each May. The agency had never forecast this many named storms, hurricanes and major hurricanes, Spinrad said.

Hurricanes put coastal communities, maritime industry and energy infrastructure at risk. Warmer temperatures in the Atlantic Ocean, an above-normal West African monsoon and weaker trade winds could fuel a dramatic hurricane season in 2024, according to the NOAA.

"The impact on ports and harbors, and coastal communities for that matter, is something we look at very carefully," Spinrad said. "When we see this kind of impact on coastal communities, especially our major ports on the coasts, we want to make sure [we] deploy and do the kind of survey work with our colleagues in emergency management to ensure commerce can continue apace."

The NOAA counted 20 named storms and three major Atlantic hurricanes in 2023. The West Coast also suffered a rare tropical storm in August 2023 that left half a million people in Southern California without power and caused solar energy output to plummet.

### US energy infrastructure is vulnerable

In an April report, the federal Government Accountability Office estimated that 63% of the nation's 75 operating nuclear plants are located in areas exposed to Category 4 or 5 hurricane storm surge or high flood hazard. Nine plants are on a coastline, where rising sea levels pose a risk, the report said.

The US Energy Information Administration warned that the 2024 hurricane season could be risky for the US oil and natural gas industry. Production of crude oil dipped during hurricanes Katrina and Rita in 2005, hurricanes Gustav and Ike in 2008, and Hurricane Ida in 2021, the agency said in its [May 22 analysis](#).



## Rick Spinrad, administrator of the National Oceanic and Atmospheric Administration, discusses the agency's 2024 Atlantic hurricane season outlook.

Source: S&P Global Commodity Insights.

Export terminals for LNG on the Gulf Coast could be in harm's way as well. The US exports about 13 bcf of LNG daily.

"Although LNG facilities generally have many layers of protection from direct impact, hurricanes can damage electrical and marine infrastructure and hamper ship movement," the EIA analysis said.

Hurricane Laura temporarily halted LNG exports from Louisiana's Sabine Pass and Cameron LNG facilities in 2020. A year later, oil and natural gas production along the Gulf Coast shut down as Hurricane Ida approached. Phillips 66's Alliance Refinery in Louisiana flooded during the storm; the company permanently closed the facility after deciding the damage was too costly to repair.

"Most of the critical infrastructure in the United States is owned and operated by the private sector," Erik Hooks, deputy administrator for the Federal Emergency Management Administration, said during the May 23 briefing. "The business community and private sector, as well as faith communities, all have a role to play in ensuring that they have fortified their structures to the best of their ability."

Since 1980, hurricanes — also known as tropical cyclones — have been responsible for nearly 6,900 deaths and \$1.3 trillion in damage in the US, according to the NOAA.



Warmer ocean water causes wind speeds to intensify, which makes hurricanes more powerful. US and European researchers said 2023 was [the hottest year](#) since measurements began 175 years ago, and monthly records have already been broken in 2024.

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# NY Senate confirms governor's latest pick for state utility commission seat

[Lisa Fontanella](#) • Market Intelligence  
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The New York Senate confirmed Gov. Kathy Hochul's (D) appointment of Radina Valova to the [New York Public Service Commission](#) on June 6; Valova's appointment is for a term set to expire Feb. 1, 2030.

## The Take

- ▶ Valova, an attorney with considerable experience in the energy sector, will serve a six-year term on the commission ending Feb. 1, 2030.
- ▶ Senate confirmation of Valova, Hochul's latest PSC commissioner pick, brings the agency back to seven members as it works through a robust regulatory agenda.
- ▶ With this latest confirmation, Hochul has filled three seats on the seven-member PSC since taking office in 2021. The state Senate confirmed two of Hochul's other picks for the PSC in April 2024.
- ▶ Regulatory Research Associates considers the regulatory climate in New York to be somewhat balanced for both energy and water utilities from an investor perspective.

Valova, an attorney, was nominated by Hochul on May 24 to fill the last remaining spot on the PSC. Valova was the governor's third pick since taking office in August 2021. Hochul's first two [appointments](#) to the PSC, Uchenna Bright (D) and Denise Sheehan (R), began serving in April 2024.

Valova is the regulatory vice president for the Interstate Renewable Energy Council (IREC). At IREC, Valova leads the regulatory program to align state interconnection procedures to advance distributed energy resources.

Prior to joining IREC, Valova was a senior staff attorney and regulatory affairs manager for the Pace Energy and Climate Center, where she led the center's engagement in New York's Reforming the Energy Vision, developed policy solutions for decarbonizing the buildings sector, and pushed for clean and affordable energy for low- and moderate-income communities. Valova's last day as a member of the IREC staff will be June 18.

Valova holds a juris doctorate in environmental and international law and an LL.M. in land use and sustainable development from the Elisabeth Haub School of Law at Pace University. She holds a Bachelor of Arts degree from UCLA.

The current PSC commissioners and the dates their terms expire are as follows: Chairman Rory Christian (D), Feb. 1, 2027; James Alesi (R), Feb. 1, 2027; David Valesky (I), Feb. 1, 2027; John Maggiore (D), Feb. 1, 2027; Uchenna Bright (D), Feb. 1, 2030; and Denise Sheehan (R), Feb. 1, 2030.

### Commission selection process and oversight

Under state law, the PSC comprises up to seven members, with each commissioner appointed by the governor and confirmed by the state Senate for a six-year term or to complete an unexpired term of a former commissioner. The PSC is bipartisan, and no more than three of a five-member commission and four of a seven-member commission may be from the same political party. The current makeup of the PSC is seven members. The commission adopted a resolution in 2021 to expand the PSC from five to seven members as permitted under state law.

In New York, the chairman is appointed by and serves at the pleasure of the governor. At least one commissioner is to have consumer advocacy experience. Commissioners appointed after July 1, 2022, must

have education, training, and at least three years of experience in one or more fields: economics, engineering, law, accounting, business management, utility regulation, public policy, consumer advocacy or environmental management.

In addition to regulating investor-owned electric, gas, water and utilities, the PSC also regulates steam and telecommunications utilities and oversees the cable industry. The PSC also exercises jurisdiction over the siting of major gas and electric transmission facilities and is responsible for ensuring the safety of natural gas and liquid petroleum pipelines.

### **Pending electric, gas and water proceedings**

The PSC has an active utility ratemaking regulatory agenda and, with the clean energy transition at the forefront, numerous expanded regulatory responsibilities.

Currently, RRA is following three electric, six gas and one water rate case pending before the PSC.

A settlement was [filed](#) recently in the gas rate cases pending for [The Brooklyn Union Gas Co.](#) (BUG) and [KeySpan Gas East Corp.](#) (KGE) in Cases [23-G-0225](#) and [23-G-0226](#) that calls for the implementation of three-year rate plans, covering April 1, 2024, through March 31, 2027. New rates would be premised upon a 9.35% return on equity (ROE) over the terms of the plans. The joint proposal includes earnings-sharing provisions under which actual earnings above a threshold ROE of 9.85% would be shared with customers. BUG and KGE are subsidiaries of [National Grid USA](#).

Settlement discussions commenced in April 2024 in [National Fuel Gas Distribution Corp.s](#) (NFGD's) pending rate case. ([Case 23-G-0627](#)) NFGD seeks an \$88.6 million rate increase premised upon a 9.80% return on equity (52.00% of capital) and a 7.57% return on a \$1.041 billion rate base. The PSC staff has [recommended](#) a 9.25% return on equity (48% of capital) and a 7.05% return on an average rate base valued at \$1.051 billion for a test year ending Sept. 30, 2025. NFGD is a subsidiary of [National Fuel Gas Co.](#) As part of the settlement negotiations, NFGD seeks to operate under a multiyear rate plan. The PSC has a long history of adopting settlements containing multifaceted, multiyear rate plans. Most of the major utilities are operating under such plans.

A multiyear rate settlement deal was not attainable for [Central Hudson Gas & Electric Corp.](#) (CHG&E) as its rate cases are proceeding under a fully litigated track. A PSC administrative law judge has [recommended](#) that the PSC authorize CHG&E \$77.7 million electric delivery and \$30.7 million gas rate increases. (Case Nos. [23-E-0418](#) and [23-G-0419](#)) The recommended rate increases for the utility are premised upon a 9.20% return on equity (48% of capital) and a 6.74% return on average rate bases of \$1.748 billion for its electric operations and \$731.4 million for its gas operations for a fully forecast test year ending June 30, 2025. CHG&E is a subsidiary of [CH Energy Group Inc.](#), which is a subsidiary of [Fortis Inc.](#)

In rate proceedings [filed](#) in January 2024, [Consolidated Edison Inc.](#) subsidiary [Orange and Rockland Utilities Inc.](#) seeks a 10.25% ROE in Cases [24-E-0060](#) and [24-G-0061](#). The staff has [recommended](#) that the PSC order the company to reduce rates by \$27.6 million and \$2.9 million for its electric and gas delivery operations, respectively, premised upon a 9.50% ROE.

In newly filed rate proceedings, National Grid USA subsidiary [Niagara Mohawk Power Corp.](#) [proposes](#) to implement \$525.4 million electric delivery and \$147.9 million gas rate increases in Cases [24-E-0322](#) and [24-G-0323](#).

Various proceedings are pending at the commission to implement policies and programs designed to achieve the state's climate objectives as outlined in the Climate Leadership and Community Protection Act (CLCPA). Signed into [law](#) in 2019, the CLCPA establishes a framework for reducing greenhouse gas emissions and increasing renewable electric generation and energy efficiency.

On April 18, 2024, the PSC initiated a proceeding regarding the grid of the future in Case 24-E-0165. The PSC staff is to develop and file the first iteration of the "New York Grid of the Future Plan" by Dec. 31, 2024. The PSC stated that the "goal of this effort is to produce and maintain the Plan to establish a comprehensive, integrated, cost-effective, and actionable framework for evolving the electric system." According to the PSC, "[I]mplementation of the Plan should result in lower infrastructure costs, improvements to reliability, and customer savings by effectively and timely supporting the new and changing grid needs driven by increasing electrification and intermittent generation."

Turning to the pending water case, [Algonquin Power & Utilities Corp.](#) subsidiary Liberty Utilities (New York Water) Corp. reached a multiyear rate settlement in its pending rate case on May 31. The settlement reflects a 9.10% ROE with earned returns above 9.75% to be subject to an earnings-sharing mechanism.

### **RRA view of NY energy regulation**

RRA views the regulatory climate for energy utilities in New York as somewhat balanced from an investor viewpoint and accords the jurisdiction with an Average/2 ranking. While the commission has authorized electric and gas ROEs that are lower than the nationwide industry averages in rate cases decided in recent years, for the most part, these decisions were based on multiyear settlements that incorporated increasing rate bases over the term of the plans, revenue decoupling mechanisms and deferral accounting for increases in such items as net plant, pension expense and labor costs.

The PSC has a long history of adopting settlements containing multifaceted, multiyear rate plans. Most major utilities operate under plans that include earnings-sharing provisions, with earnings in excess of an established ROE cap to be shared by shareholders and ratepayers, as well as the potential for penalties related to service quality and customer service. Additionally, the plans generally include expense reconciliation mechanisms allowing utilities to defer increases in certain expenses.

### **RRA view of NY water utility regulation**

The New York PSC generally authorizes ROEs below the industry average at the time established; however, in most recent rate cases, the PSC adopted multiyear settlements that incorporated fully forecast test periods and recognized increasing rate base values over the term of the plan, improving the utilities' opportunity to earn the authorized ROE. The plans have included earnings-sharing provisions that kick in when actual earnings are above an established ROE cap, with the potential for penalties related to service quality and customer service.

The PSC also utilizes revenue adjustment clauses, earnings-sharing mechanisms and surcharges for purchased water, property taxes and pension expenses.

For several years, American Water was subject to vocal criticism from New York customers, lawmakers and consumer watchdog groups, which resulted in the company [exiting](#) the state in January 2022. Gaining regulatory approval of the transaction was [complicated](#) by consumer interest in municipalizing a portion of the system and political involvement to secure that outcome.

RRA accords New York regulation an Average/2 rating.

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