



# **Nevada Legislative Growth & Infrastructure Committee**



January 2024

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# Southwest Gas

A dynamic energy company committed to exceeding our customers' expectations by providing safe, reliable and affordable service while innovating sustainable energy solutions to fuel our communities' growth.

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# Recognition

**95% Customer Satisfaction** for the last seven years

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**#1 in Customer Satisfaction** with Business & Large Residential Natural Gas Utilities in the West, for the fourth year in a row, 2020-2023 by J.D. Power

# Safety

We honor our  
commitment to safety  
in all that we do for:



Health

Family

Company

Community

**Reduced excavation  
damages by 18% since 2019**

Responded to  
**76.4%** of calls  
within 30 minutes

**MILES OF  
EARLY  
VINTAGE  
PLASTIC PIPE**

**81%**  
Replaced

Despite more than doubling the size of our utility's distribution system over the last 30 years, Southwest Gas reduced the total system leak rate by 89% over that same period.

# Utility Regulation Overview & Rate Making

Nevada

# Regulated Utility

Granted  
**Exclusive**  
authority to serve  
customers within  
a specific area

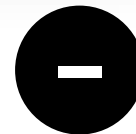
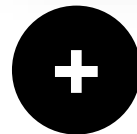
**Obligated to  
Serve** any  
customer  
requesting  
service as long  
as it is  
economical

Cannot expand  
into or exit from  
markets without  
**Authorization**

**Regulated  
Rates**, profits,  
and service  
quality

Allowed, but not  
guaranteed, to  
earn a  
**Reasonable  
Profit**

Monopoly; Limited competition, Operational efficiency  
as monopoly, Avoid costly duplication of facilities



Cannot set own prices; Regulatory lag

# Cost Recovery Categories/Applications

## Determining Utility Rates

### Cost Recovery Categories

#### GAS COSTS

The cost of gas Southwest Gas purchases on behalf of customers is recovered through recovery mechanisms specifically designed for these costs, with no profit to the Company. These rates change monthly in Arizona and California and quarterly in Nevada.

#### SURCHARGES

Surcharges recover the costs of specific programs and initiatives (i.e. COYL, EE & Low-Income programs, gas infrastructure replacement/expansion programs, etc.)\*. There are various filings in each state, and these rates are typically updated on an annual basis, unless otherwise authorized by the various state regulatory commissions.

*\*Commercial and/or transportation customers may have additional charges.*

#### COST OF SERVICE

Base rates are established to recover the costs of delivering natural gas and includes a fixed monthly charge (basic service charge/BSC) and a per therm rate\*. Southwest Gas requests changes to base rates through General Rate Case (GRC) filings, which are filed as needed.

*\*Commercial and/or transportation customers may have additional charges.*

# Purchased Fuel Cost Recovery

Utilities purchase fuel on behalf of their customers with no profit to the utility.

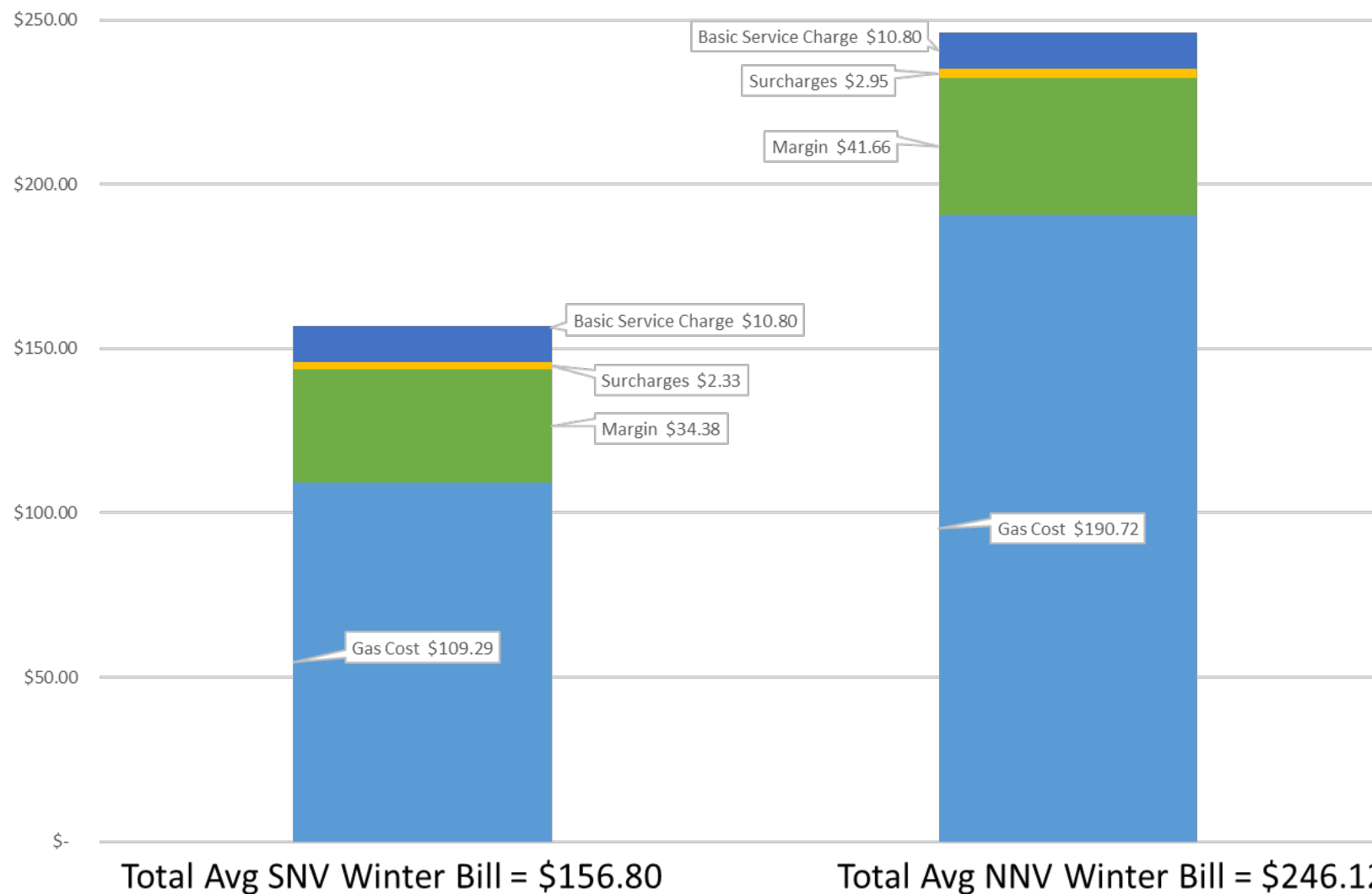
Rates are established to recover these costs through two components:  
Base Tariff Energy Rate (BTER) and the Deferred Energy Accounting Adjustment (DEAA).

If the BTER was set too high, customers receive a credit in the DEAA. If the BTER was too low, the utility collects the difference. This ensures that ultimately, customers are only reimbursing the utility for its actual costs.

- BTER rate – collects the cost of fuel and purchased power, updated quarterly, to reflect the 12-month average recorded costs.
- DEAA rate – eliminates the difference between the BTER revenues and the utility's actual costs of fuel and purchased power.



## Customer Bills – 2023/2024 Average Nevada Residential Winter Bills



# Annual Rate Adjustment Applications



Annually, electric and gas utilities file applications with the PUCN seeking a determination that their fuel and purchased power costs for the previous period were prudent.



The Annual Rate Adjustment (ARA) application may also include requests to reset other rates such as the UGCE rate, Infrastructure Expansion rates, and Decoupling rates.



If the PUCN determines that a utility did not prudently manage its procurement of fuel and purchased power, the PUCN may disallow the costs from being included in the utility's cost recovery.

# General Rate Case Applications

Regulated utilities must receive approval from the PUCN through a general rate case (GRC) application to change rates charged to customers for service.

A GRC is generally comprised of four key elements:

**Cost of Capital**

What return will the utility receive on its debt and what return opportunity will be established on its equity?

**Depreciation**

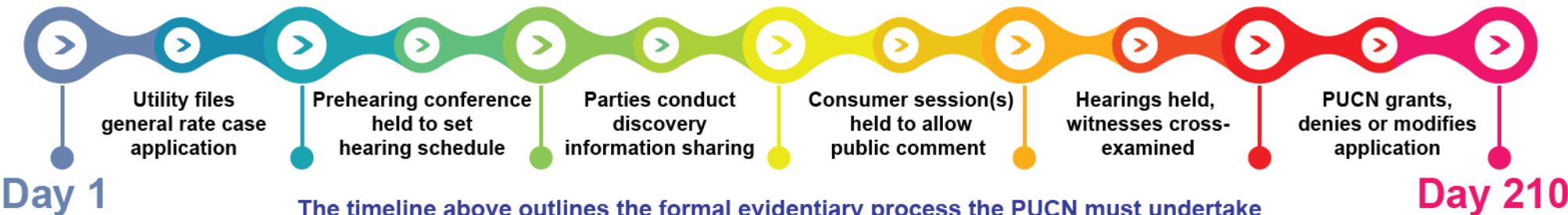
At what rate will the utility recover its cost of facilities used to produce and deliver its product?

**Revenue Requirement**

What revenue amount is necessary to cover the utility's operating expenses?

**Cost of Service and Rate Design**

How should the utility's cost of providing service be allocated amongst the utility's various customer classes?



The timeline above outlines the formal evidentiary process the PUCN must undertake before making a decision in a GRC application. The process must be completed within 210 days.

[https://puc.nv.gov/uploadedFiles/puc.nv.gov/Content/Consumers/Fact\\_Sheets/Utility\\_Regulation\\_Fact\\_Sheets/Fact\\_Sheet\\_GRC\\_Process.pdf](https://puc.nv.gov/uploadedFiles/puc.nv.gov/Content/Consumers/Fact_Sheets/Utility_Regulation_Fact_Sheets/Fact_Sheet_GRC_Process.pdf)

# Decoupling

## Non-Decoupled Rate Model

Ongoing cost of infrastructure maintenance



Dependency on weather

Decreasing use of natural gas



Higher risks

Southwest Gas incentivized to pursue more sales to recover operational costs



Not aligned with customers' energy efficiency goals

Break the link between revenue and amount of gas used by customers



Stabilizes earnings

Decreasing use of natural gas



Allows SWG to focus on the service we provide, not volume of gas sold

Southwest Gas recovers its operational costs



Supports customers' energy efficiency goals

# Gas Infrastructure Expansion

**Senate Bill 151** authorized a public utility that purchases natural gas for resale to expand its infrastructure in a manner consistent with a program of economic development.

Provides the opportunity for utilities to extend natural gas service to unserved or underserved communities in the state while allowing the public utility to recover prudently incurred costs.

**To date, two Southwest Gas expansion projects have been approved by the Commission.**



## **Southern Nevada**

In May 2018, the PUCN approved the first expansion under SB 151 to Mesquite. The Company began serving customers in 2019.



## **Northern Nevada**

In December 2019, the PUCN approved the expansion to Spring Creek. The Company began serving customers in December 2020.

# Renewable Natural Gas

**Senate Bill (SB) 154 authorizes a public utility that purchases natural gas for resale to engage in renewable natural gas (RNG) activities and to recover the reasonable and prudent costs of such activities.**

**In 2021, the PUCN approved an RNG agreement between the Regional Transportation Commission of Southern Nevada (RTC) and Southwest Gas, authorizing the Company to purchase RNG on RTC's behalf for use in their fleet.**

**This legislation also established the following RNG supply portfolio goals:**

- ➔ **By January 1, 2025, not less than 1 percent**
- ➔ **By January 1, 2030, not less than 2 percent**
- ➔ **By January 1, 2035, not less than 3 percent**

# Carbon Offset Program

## Move2Zero



Move2Zero, which allows eligible Nevada customers to offset greenhouse gas (GHG) emissions associated with natural gas usage, was approved by the PUCN in 2021.



A carbon offset generally refers to reducing or capturing GHG emissions that occur elsewhere.



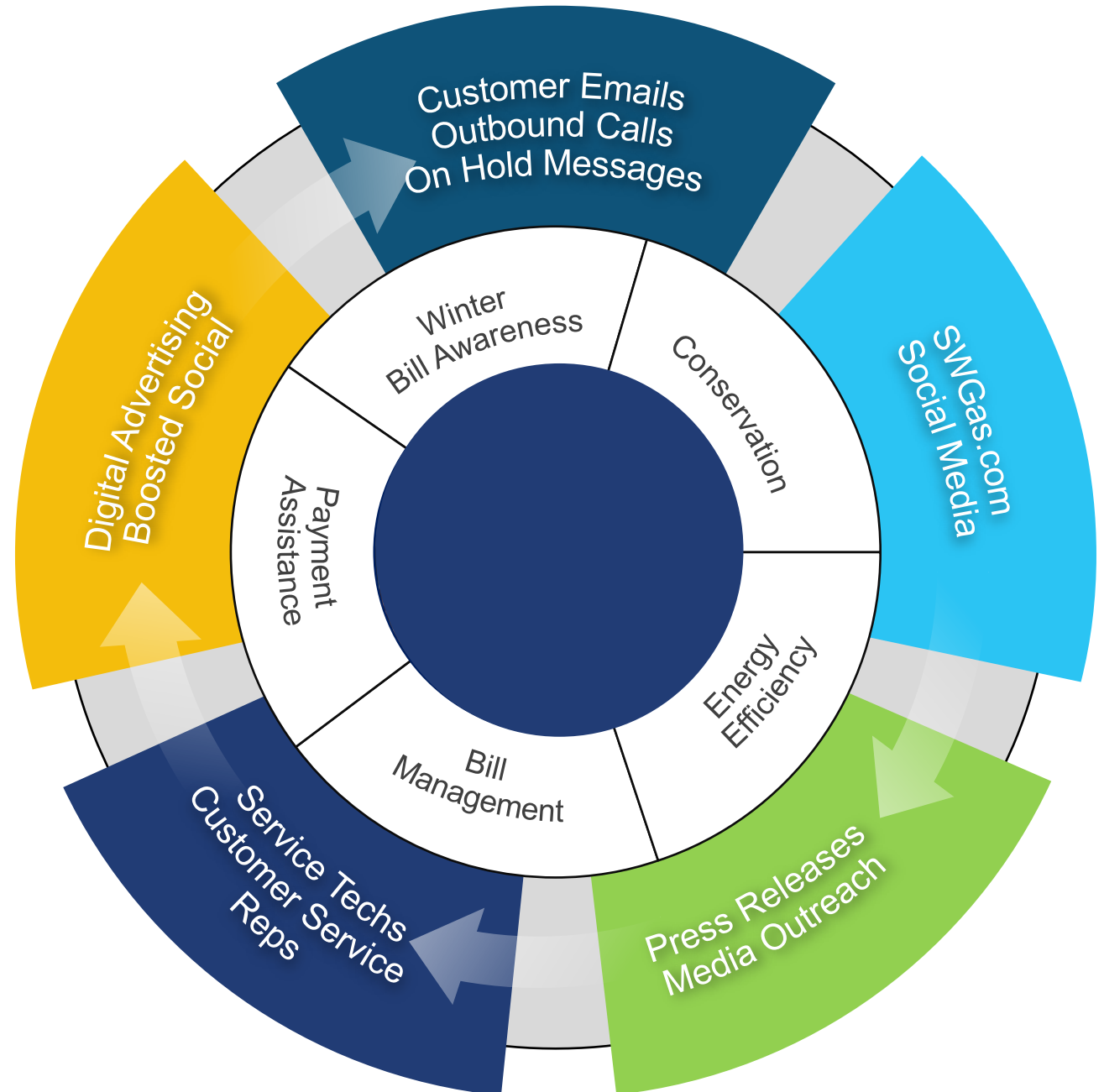
The offset credits Southwest Gas purchases and retires on behalf of participating customers are generated by validated projects that positively impact the environment and create measurable and verifiable GHG emissions reductions.

# Customer Centric Approach




# Cost of Service Rate Making Model

- Customer-centric outreach and support plan
- Informs customers that lower temperatures mean “higher energy bills”
- Drives awareness of bill management, conservation tips, energy efficiency programs & payment assistance programs
- Reaches all customers including low-income



# SWGas.com Content



Nevada ▾ About Us Contact Us Jobs Outages  
Southwest Gas Holdings  
Suspect a leak? Call 911 and 877-860-6020

MyAccount Residential ▾ Business ▾ Environment ▾ Community ▾ Safety ▾

## Save Money & Energy

Look to natural gas when it comes to being energy and savings smart.

Residential | Bill & Payments | Natural Gas Products | Save Money & Energy | Special Programs & Assistance | Rebates & Proor >

## How can I manage my bill?

We have a variety of ways for you to manage your energy use as well as programs and tools to help manage your bill.

### ENERGY SAVING TIPS

From the chill of winter to the swelter of summer, we help you prepare with smart energy saving tips.

- Set your thermostat at 65-68 degrees Fahrenheit in the winter and 78-80 degrees Fahrenheit in the summer, health permitting.
- Install a programmable thermostat and properly program it to follow your schedule.
- Dress for the weather even when you're inside. If it's cold outside, dress in warm layers. When it's hot, wear light, loose-fitting clothes.

Find more energy-saving tips for your home or business

RESIDENTIAL

BUSINESS

### WHY IS MY NATURAL GAS BILL HIGHER?

#### COOLER WEATHER

During winter months, cooler weather means customers are using more natural gas to heat homes and water. During this time, you could save on heating costs by lowering your thermostat between 65°F and 68°F during the day, health permitting, and cooler at night.

#### INCREASE IN APPLIANCE USAGE


Your natural gas appliances work harder during colder weather. This can cause your bill to be higher. For example, water heaters work longer and harder to keep your water hot, which could increase natural gas usage. Similarly, your furnace runs longer to keep your house warm when temperatures outside drop. Also, if you are using your fireplace more for additional heating, are cooking more or have guests at home, your bill could be impacted.

#### HIGHER NATURAL GAS PRICES

Natural gas prices continue to remain high, according to Federal officials. However, natural gas is still expected to remain one of the lowest utility bills customers will face each month.

#### PAST DUE AMOUNTS


Any past due amount on your current bill will cause it to be higher than normal.



### SOUTHWEST GAS DOES NOT PROFIT FROM THE COST OF NATURAL GAS

Southwest Gas purchases natural gas on behalf of customers from the commercial market and passes the cost straight through to customers with no markup or profit.

**SO YOU PAY WHAT WE PAY.**



### CONSUMER PROTECTIONS FROM RATE VOLATILITY

Southwest Gas strives to protect its customers from rate volatility caused by fluctuations in the natural gas market by using various rate mechanisms that are designed to mitigate the amount that customer natural gas bills can increase or decrease due to those fluctuations.

## Need Assistance?

### ASSISTANCE PROGRAMS

We're here to lend a helping hand. If your household is experiencing financial difficulty, there may be federal, state or local programs that can provide assistance with your utility bill.

Please dial **2-1-1** and select **option 1** then **option 9** to speak to a specialist to assist you with funds available in your area or call **877-860-6020** to discuss possible flexible payment options.

For information on specific programs in your area click on your state below.



### EQUAL PAYMENT PLAN (EPP)



Our Equal Payment Plan can help budget your monthly gas bill. This convenient program offers a fixed monthly payment determined by your estimated annual gas usage. [Learn More >](#)

## Smart ways to help you save.

Make *Smarter Greener Better*® energy decisions. Use our helpful tools to keep more green in your pocket while increasing energy efficiency with natural gas appliances.



We're proud to be an **ENERGY STAR**® partner in our continued commitment to energy efficiency and conservation.

## See how your energy use measures up!

Try our Energy Savings Portal today to take advantage of:

- Comparing your monthly natural gas usage
- Benchmarking with similar homes in your area
- Taking a Home Energy Analysis to see how your home uses energy
- Personalized tips based on your Home Energy Analysis


Try it out here.

Simply use your Southwest Gas account number to join! Have your Southwest Gas bill handy or login to [MyAccount](#) > for your account number.

[SIGN-UP](#) >

### SAVE MONEY & ENERGY


#### ENERGY CALCULATORS



What is a "carbon footprint"? It's a term used for the carbon emissions produced by everyday activities. Find your carbon footprint by using these energy calculators, and make more informed choices for your home or business.

[Residential Energy Calculator](#) >  
[Business Carbon Calculator](#) >


#### ENERGY EFFICIENT HOMES



Energy efficient homes are designed to deliver energy savings, making your path to being energy smart a no-brainer.

[Energy Efficient Homes >](#)

#### HOME WEATHERIZATION



Keep your home comfortable for all seasons with our tips on preparing your home for every type of weather.

[Tips for a Weather-Smart Home >](#)



# Customer Assistance Programs

**We offer a variety of payment options – whether customers need assistance paying utility bills or just want to better manage their budget**



**Energy Share** is an emergency fund providing direct utility assistance



**Equal Payment Plan** offers a fixed monthly payment based on annual gas usage of the home



**Third Party Notification Program** designates a friend or relative for SWG to notify in case of overdue bills



**Deferred Payment Program** allows qualifying customers to settle their balances over an extended period of time



**Weatherization Assistance** provides money-saving home improvements to increase the energy efficiency of their home, at no cost

# Energy Efficiency Programs

**We encourage all residential customers to take advantage of the energy savings portal through our website**



**Find personalized tips on how to lower energy use**

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**Compare energy use to comparable homes**

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**Request a home water savings kit**

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**Help increase the efficiency of energy use**

# Natural Gas Planning

**Senate Bill (SB) 281 requires natural gas utilities to file with the PUCN a triennial plan (Plan) designed to meet the current and future demand for natural gas at the lowest reasonable cost.**

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**Natural gas utilities that purchase natural gas for resale and serve 10 or more customers are subject to this new law.**

**After a utility files a Plan, the PUCN will convene a hearing on the adequacy of the plan and determine if:**

- The forecast requirements of the natural gas utility are based on accurate data and an adequate method of forecasting
- The Plan identifies and accounts for any present and projected changes in demand for natural gas
- The Plan adequately demonstrates the need for proposed activities and investments

**The Plan is to identify:**

- Mix of geologic and non-geologic gas supply
- Activities and programs that will promote energy efficiency and conservation
- Investments designed to meet the current and future demand for natural gas at the lowest reasonable cost
- If the Plan includes non-geologic gas supply, any present and projected changes in greenhouse gas emissions as a result of the activities are to be included

# Employee Giving

## Sustainability, Environment & Beautification

- ➔ We live and work in the communities we serve, and making the places our customers and employees call home stronger and more sustainable is part of our culture.

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- ➔ In 2023, we focused on tree planting to increase tree canopy, community cleanups, and other events to support the well-being of our communities.