Natural Gas Infrastructure Expansion and Economic Development

Debra Gallo
Director, Government & State Regulatory Affairs
May 19, 2014 – Legislative Committee on Energy

EXHIBIT N – ENERGY
Document consists of 12 pages.
Entire Exhibit provided.
Meeting Date: 05-15-14
Southwest Gas Corporation is principally engaged in the business of purchasing, distributing and transporting natural gas to approximately 1.9 million residential, commercial and industrial customers in Nevada, Arizona and California.

Southwest Gas provides natural gas service to the majority of Nevada with the exception of Reno.

However, several communities in Nevada lack feasible access to natural gas infrastructure. Some examples would be Mesquite, Virginia City, Pahrump and areas within Elko County.
How does Nevada compare to other states?
Nevada’s Natural Gas Infrastructure

- Several areas within Nevada lack feasible access to the critical natural gas infrastructure necessary to attract new and diverse businesses, specifically manufacturing industries which overwhelmingly utilize natural gas.

- Businesses looking to expand or relocate in certain unserved or underserved areas within Nevada are drawn elsewhere because several potential growth areas lack natural gas infrastructure.

- Nevada is at a disadvantage when compared with other states which have natural gas infrastructure in place to support new and diverse businesses wishing to relocate and/or expand.
What type of opportunities are we missing?

- Industrial and Commercial customers form an important gas-use sector, using natural gas for a variety of purposes, including the following:

<table>
<thead>
<tr>
<th>Natural Gas Application</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Process Heating for Melting, Baking or Drying</td>
<td>Manufacturing of Metal, Plastic, Paper, Glass, and Food</td>
</tr>
<tr>
<td>Combined Heat and Power</td>
<td>Local Electricity Generation for large energy users such as a hotel, or manufacturer</td>
</tr>
<tr>
<td>Agricultural Dryers</td>
<td>Food Processing and water pumping</td>
</tr>
<tr>
<td>Refrigerated Storage – Chillers</td>
<td>Logistics</td>
</tr>
</tbody>
</table>
Traditional utility line extension tariff regulations relating to infrastructure expansion rely on upfront investments from developers and customers. These rules don’t allow for prospective planning for Economic Development purposes.

However several states have recognized this issue and subsequently enacted legislation to provide exceptions to traditional tariff rules in order to promote economic development.
Texas enacted legislation in 2003 to allow the utility to develop a rate to recover the cost of investment changes, including the expansion of natural gas infrastructure.

Utah enacted legislation in 1998 to enable an “extension area charge” on customer bills to extend gas service to previously unserved municipalities if the extension of service could not be provided under the utility's existing tariff.

Nebraska enacted legislation in 2012 encouraging the construction of rural natural gas infrastructure and allows expansion plans to be proposed and approved by regulators.
Proposed Solution

- Legislative policy to promote the *appropriate* expansion of natural gas infrastructure to unserved and underserved areas within Nevada to support and accelerate the growth and diversification of our economy.
Proposed Solution

- Legislative direction to the regulatory body to allow natural gas utilities:
  - Request expansion of their natural gas infrastructure consistent with the legislative policy of the state;
  - Receive recovery of prudently incurred costs thru the development of alternative cost recovery methods that balance the interests of directly and indirectly benefiting customers.
Questions?

SOUTHWEST GAS

smarter › greener › better