

greener than you think

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

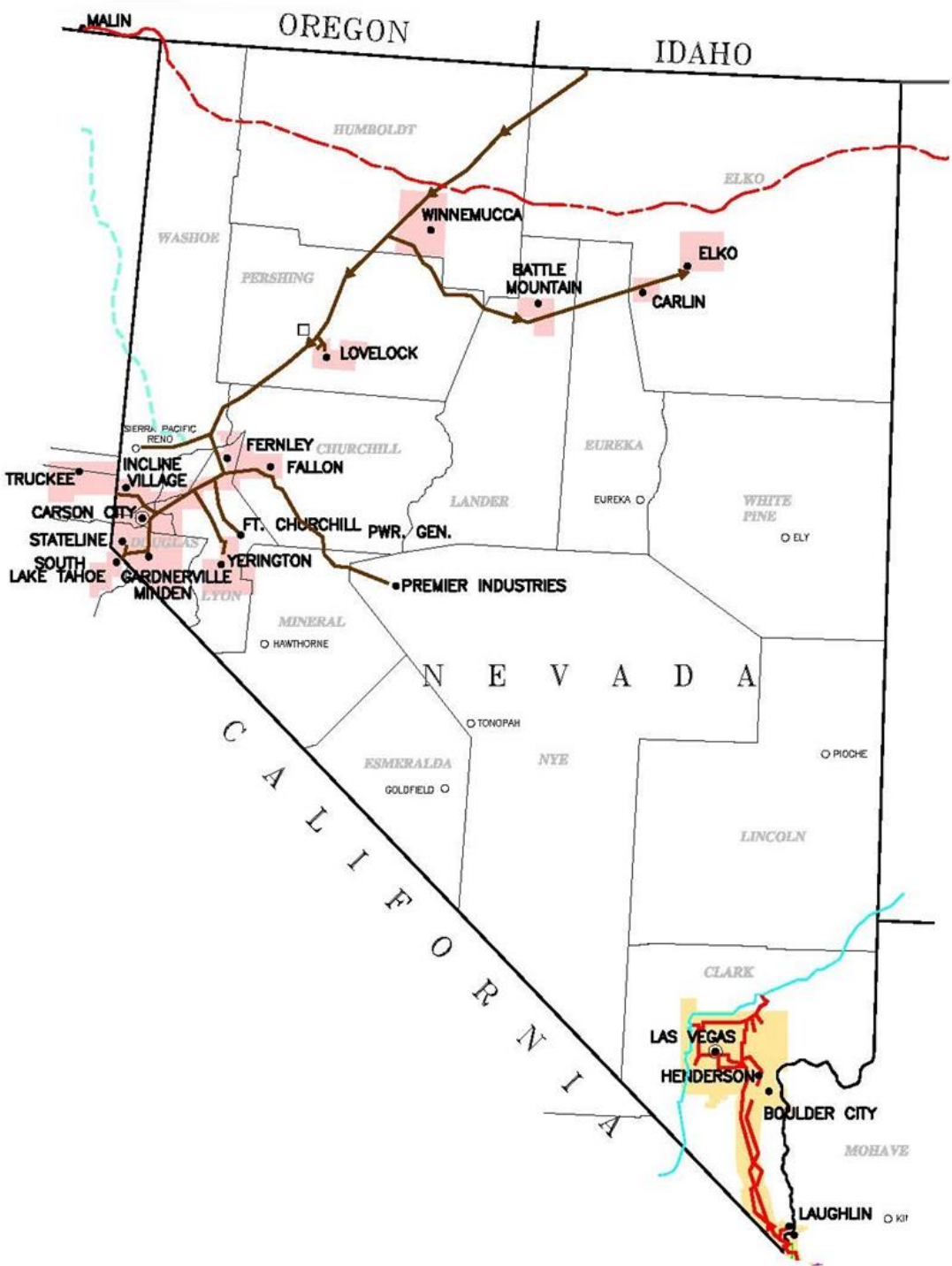


SOUTHWEST GAS

smarter > greener > better

About Southwest Gas

- 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.

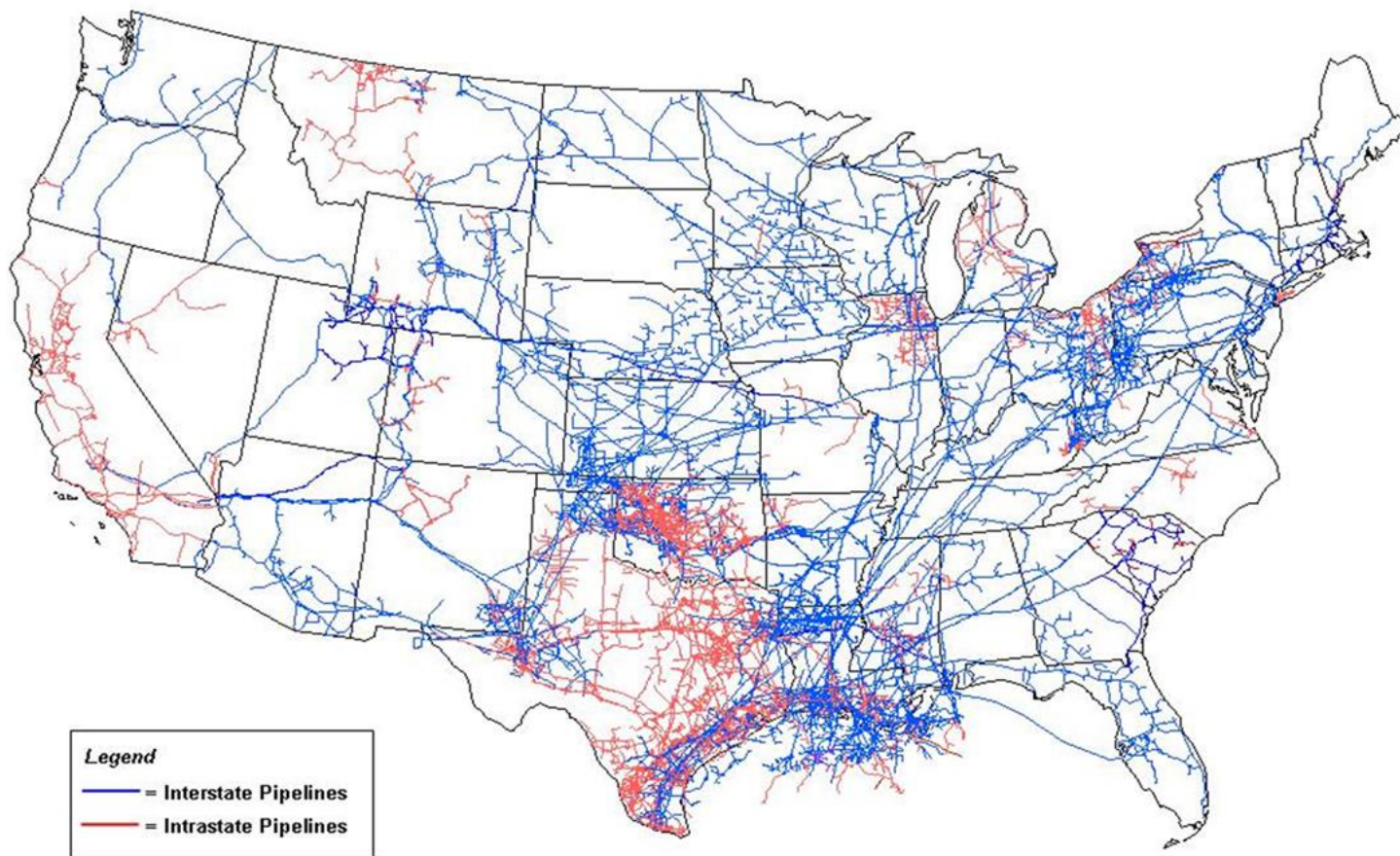


LEGEND

- CITIES, AREAS, OR CUSTOMERS SERVED
- CITIES, AREAS, OR CUSTOMERS SERVED BY OTHER COMPANIES
- ⊙ DIVISION HEADQUARTERS
- LNG FACILITY
- COUNTY BOUNDARIES
- PAIUTE PIPELINE CO.
- SOUTHWEST GAS CORP. HIGH PRESSURE
- SOUTHERN NEVADA SERVICE TERRITORY
- NORTHERN NEVADA SERVICE TERRITORY

-
- NORTHWEST PIPELINE CORP.
 - KERN RIVER GAS TRANS CO.
 - - - TUSCARORA GAS TRANS CO.
 - - - RUBY PIPELINE

How does Nevada compare to other states?



Source: Energy Information Administration, Office of Oil & Gas, Natural Gas Division, Gas Transportation Information System

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.



SOUTHWEST GAS
smarter > greener > better

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:

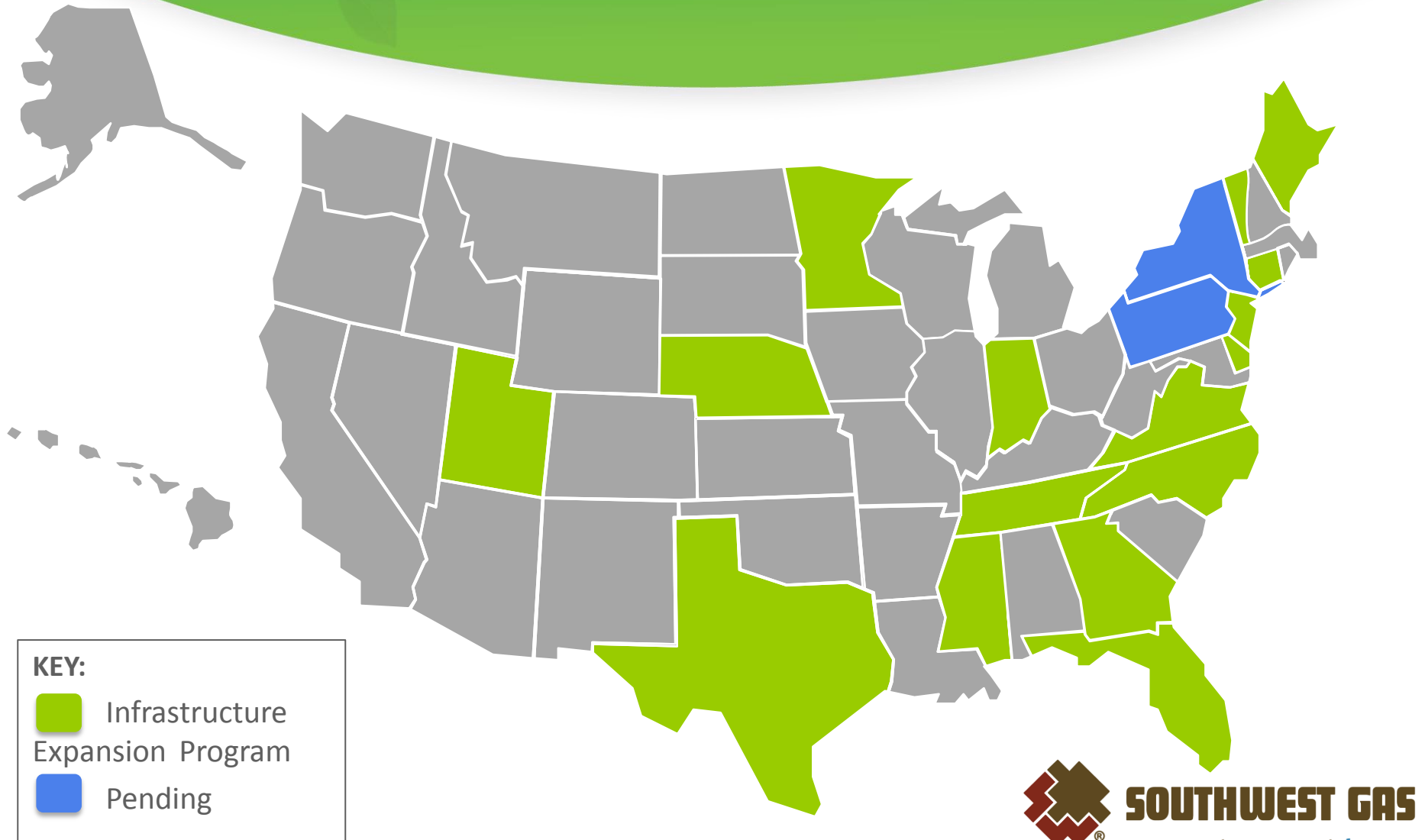
Natural Gas Application	Industry
Direct Process Heating for Melting, Baking or Drying	Manufacturing of Metal, Plastic, Paper, Glass, and Food
Combined Heat and Power	Local Electricity Generation for large energy users such as a hotel, or manufacturer
Agricultural Dryers	Food Processing and water pumping
Refrigerated Storage – Chillers	Logistics



The Issue

- 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.

Infrastructure Expansion Activity



Infrastructure Expansion Activity



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.



SOUTHWEST GAS
smarter > greener > better

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