

From: Joe Pizzillo
Sent time: 01/04/2023 12:56:01 PM
To: Ginna Carico
Subject: Re: SWG Letter

I'm on board

From: Ginna Carico <Ginna.Carico@goodyearaz.gov>
Sent: Wednesday, January 4, 2023 12:30 PM
To: Joe Pizzillo <Joe.Pizzillo@goodyearaz.gov>
Cc: Rosalva Zimmerman <Rosalva.Zimmerman@goodyearaz.gov>
Subject: SWG Letter

Hey Mayor -

Please see the attached letter as we discussed. If you're good with this, I'll get your signature over to Helen at SWG.

Thanks,

Ginna

From: Helen Heiden <Helen.Heiden@swgas.com>
Sent: Monday, November 21, 2022 2:14 PM
To: Ginna Carico <Ginna.Carico@goodyearaz.gov>
Cc: Matthew Ligouri <Matthew.Ligouri@swgas.com>
Subject: Following up

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Hi Ginna,

Thanks again for taking the time to chat with me on Friday!

Below is an overview of the issues we talked about. As I mentioned, we met with Mayor Pizzillo last week about the impact these policies would have on the major growth cities in Arizona. He said he'd be happy to sign onto a letter with other mayors but wanted to review it first. We'll get that drafted and over to you guys in the coming weeks.

Natural Gas IIP/Long Term Natural Gas Planning

Instead of advancing their aims by advocating for outright "natural gas bans" like the policy adopted by the City of Berkeley, CA, as of late, environmental groups have pursued the same policy outcomes through "long-term natural gas resource planning" processes. While seemingly prudent on their face, the aim of these long-term natural gas resource planning processes is to prevent gas utilities from being able to replace aging infrastructure for current customers and to stop us from extending infrastructure to new customers in favor of mandated building electrification.

If successful, instead of performing replacement and new business work under our current regulatory framework, Southwest Gas would be required to receive approval from the ACC for every pipeline job over a certain dollar threshold (SWEEP has thrown out \$2 million which would encompass the majority of our work). This process would allow SWEEP and other environmental groups to lobby against the approval of our applications in favor of mandated electrification of customers' homes and/or businesses. In addition to having negative impacts on the safety of our system and consumer choice in Arizona, this process would create additional barriers and uncertainty for businesses trying to open their doors.

Natural Gas Construction Allowances

In an effort to make obtaining gas service cost-prohibitive, environmental groups are petitioning Public Utility Commissions to prevent gas utilities from investing in new business. On September 15, 2022, California became the first state to approve this policy and shortly thereafter, SWEEP asked the ACC to take similar action in Arizona.

As is standard for the rest of the country, in Arizona, electric and gas utilities can invest in infrastructure extensions to serve new residential or commercial growth based on contractual energy usage commitments from the customer. The allowable investment (also known as a "construction allowance") for a utility is determined based on the incremental cost to serve the new customer and their usage and ultimately paid for by the revenue received from the new customer over a defined period (5-10 years). In other words, the upfront cost of an extension paid by the utility to serve a new customer is paid back through monthly bills. To ensure a utility and its customers are not negatively impacted by a customer not meeting their contractual energy usage commitments, the customer is required to put up a letter of credit or surety bond.

In recent years, many of Arizona's large economic development locates have benefited from allowable investment. For companies like TSMC and KORE Power, their gas usage has allowed us to cover the full upfront investment of extending to their facilities. If SWEEP is successful, this policy will put Arizona at a competitive disadvantage when looking to recruit out of state economic development, as it will cost companies significantly more to open their doors here. In addition to negatively impacting commerce, this policy would also likely limit energy choice in Arizona homes. Residential developers would be less likely to install gas in new projects

if they were not able to finance the infrastructure over time. This policy would also have a disproportionate impact on growing communities that do not have robust gas infrastructure already built out like Buckeye, Goodyear, Pinal County and other areas of the state that have a strong demand for gas. In these places, the upfront cost to get gas service would be much larger than in places like Central Phoenix or other fully developed communities.



I've also attached our rebuttal testimony that was given on this issue when it came up during an ACC proceeding. If you have any questions I'd be happy to answer them.

Thanks again!

Helen



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Thank you for your cooperation.

