ORIGINAL

E000023311

January 5, 2022

The Honorable Jim O'Connor
The Honorable Lea Marquez Peterson
The Honorable Anna Tovar
The Honorable Kevin Thompson
The Honorable Nick Myers
Arizona Corporation Commission
1200 W. Washington St.
Phoenix AZ, 85008

Docket # G-01551A-21-0368

Chairman O'Connor and Members of the Commission,

On behalf of our communities, we the undersigned Mayors write to you today to express our support for recommendations that reject proposals made by the Southwestern Energy Efficiency Project (SWEEP) that would impose unnecessary and costly barriers for consumers seeking to obtain natural gas service from Southwest Gas. If enacted, these misguided policies will slow our economic progress and jeopardize the safety of our communities.

In recent years, our communities have experienced tremendous growth and development. Families have flocked to our state for the superior quality of life Arizona offers, while job creators have been lured here by our pro-growth public policies and forward-thinking planning.

A major contributor to any communities' growth is the availability of quality public and private infrastructure - from roads, highways and bridges to electricity, water, wastewater and natural gas facilities. As Mayors of Arizona's fastest growing communities, we know that modern and reliable infrastructure will be vital to ensuring we can meet the demands of our residents and businesses now and into the future. With this notion in mind, we oppose SWEEP's allowable investment and Infrastructure and Investment Planning process (IIP) proposals that would make it more difficult for consumers in our communities to obtain the natural gas infrastructure they need and desire.

Allowable Investment

SWEEP's proposed changes to Southwest Gas' new business policies would have harmful impacts on our growing communities -- negatively impacting economic development, energy choice and housing affordability.

Like other utilities in Arizona, Southwest Gas has the ability to help new users finance gas line extensions based on contractual usage commitments from their prospective customers. The upfront investment made by Southwest Gas to serve a new job creator or housing development is ultimately paid back in full by the customer within 10 years. This framework has allowed residential developers and new businesses to obtain natural gas infrastructure in a similar manner as they secure water and electricity service. SWEEP's proposal would force new gas infrastructure to be paid for upfront by the customer before an extension could be made in an effort to discourage the expansion of the critical natural gas pipeline network in Arizona.

Eliminating natural gas allowable investment would have a chilling impact on economic development and business attraction in Arizona, as our state would become only the second in the nation behind California

ACC - Docket Control - Received 1/5/2023 8:12 PM

to implement this anti-growth framework. While detrimental to the entire state, SWEEP's allowable investment proposal would have a disproportionate impact on communities where infrastructure is not as fully developed and gas mains could be a significant distance from project sites.

When evaluating states and individual municipalities for business relocations, site selectors carefully assess the accessibility of reliable and affordable energy infrastructure for use by their clients. Because of our pro-growth policies, in recent years, sites in our communities and around rural and suburban Arizona have been selected for large economic development projects that provide good paying jobs to residents and tax revenue to our municipal governments for important priorities like public safety and other critical services. In many of these instances, users required both electricity and natural gas to operate and the allowable investment financing mechanism provided by our utilities helped the locating company obtain service.

Eliminating Southwest Gas' allowable investment for new customers would negatively impact housing affordability and energy choice in Arizona. Establishing financial barriers for residential developers to obtain natural gas service will force them to decide between increasing prices to offset infrastructure costs or building all-electric homes that conflict with market demand and increase household energy bills.

Infrastructure and Investment Planning Process (IIP)

SWEEP's IIP proposal would unnecessarily negatively impact safety, consumer choice and commerce in our communities.

As Mayors, the safety of our constituents is paramount. Over the years, our cities and towns have appreciated the premium Southwest Gas has placed on safety, including their investment in our communities to maintain a modern natural gas system, their partnership with our public safety departments on emergency preparedness and their proactive messaging with the public on preventing and identifying gas leaks. SWEEP's IIP proposal would jeopardize safety by creating an overly burdensome process for Southwest Gas to replace aging infrastructure. Even more concerning, the process proposed by SWEEP would require Southwest Gas' investments to be evaluated against "non-pipeline alternatives" which include potentially leaving aging natural gas facilities in the ground rather than remediating them.

This new "non-pipeline alternative" evaluation process would also impact consumer choice and the economy. If a future Commission were to reject Southwest Gas' proposed replacement or new business projects, existing and new customers could be forced to electrify their homes or businesses at a significant cost. Under this scenario, the business models of important natural gas using sectors of our economies like health care facilities, restaurants, lodging and tourism assets, agribusinesses and advanced manufacturers - including semi-conductor and electric vehicle supply chain companies, would be disrupted. Even if Southwest Gas' investments were ultimately approved, this new review process would create an additional regulatory barrier for businesses to navigate before opening their doors, which would discourage new commerce in Arizona.

Conclusion

Natural gas and pipeline infrastructure are critical components to the success of our growing cities and towns. The policies proposed by SWEEP will unnecessarily jeopardize our economic momentum and the safety of our communities. The Commission's current regulatory framework for Southwest Gas and your existing oversight of their investments has allowed the company to provide our communities with safe, reliable infrastructure. We respectfully encourage you to reject SWEEP's proposals in order to protect the wellbeing of our current and future residents and businesses.

Respectfully,

Mayor-Elect Julia Wheatley
Town of Queen Creek

Mayor Brigette Peterson
Town of Gilbert

Mayor Joe Pizzillo
City of Goodyear

Mayor Nancy Smith
City of Maricopa

Mayor Eric Orsborn
City of Buckeye

Mayor Skip Hall
City of Surprise

Mayor Craig McFarland
City of Casa Grande

Mayor Ed Honea
Town of Marana

Mayor Tom Murphy
Town of Sahuarita