



Southwest Gas Corporation

Arizona Winter Preparedness

Jerry Schmitz, P.E.
Vice President/Engineering
October 4, 2012

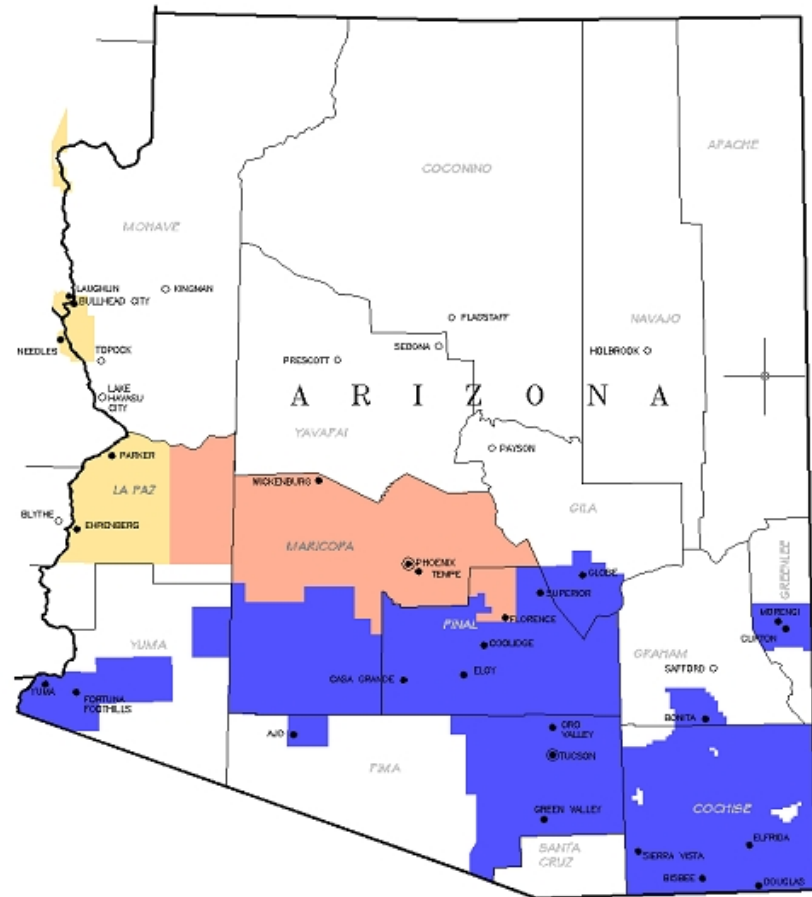


Outline

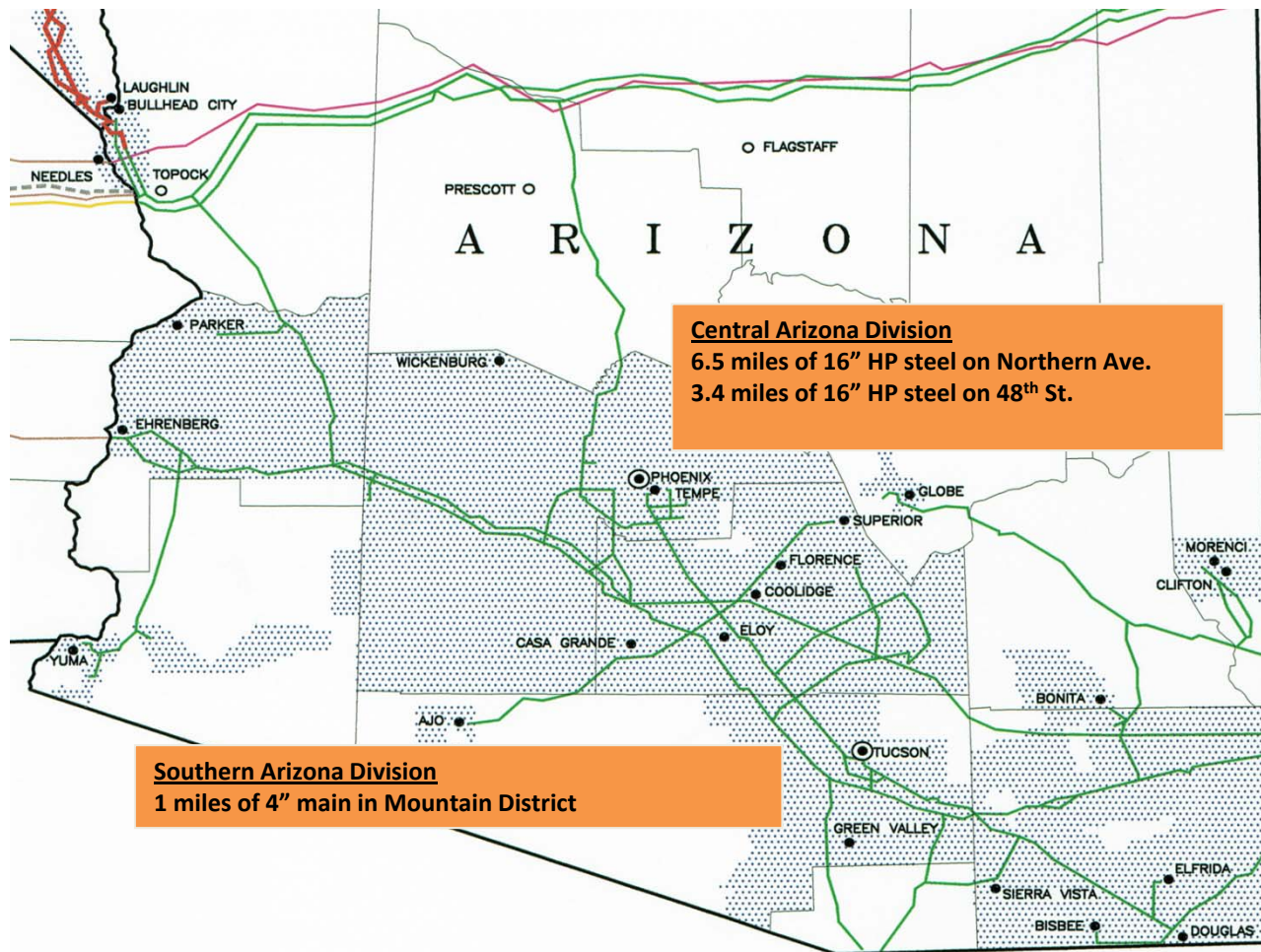
- System reinforcements
- Communications
- Pipeline Safety Legislation
 - Key provisions
 - Southwest actions

Southwest Gas Corporation Arizona Facilities

- Approximately 1 million customers
- 456 miles gas transmission pipelines
- 92 miles HCAs
- 19,000 miles gas distribution main
- 12,800 miles gas distribution services



System Reinforcements



Enhanced Customer Communications

- www.swgas.com and www.swgasliving.com home pages
- Webpage news bulletins
- Outage mapping system
- Automated outbound calls to customers
- Social media (Facebook and Twitter)
- Traditional media advisories
- El Paso mock exercise (April 10, 2012)

Safety Legislation

- Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (signed on January 3, 2012)
- Legislation addresses significant NTSB recommendations
- Elimination of grandfather clause is most significant issue

Key Provisions and SWG Actions

1. Maximum Allowable Operating Pressure (MAOP)
 - Records verification
 - Elimination of grandfather clause for testing

SWG Action: Pipeline Safety Planning Department and MAOP Standardization Project
2. Automatic Shut-Off and Remote Control Valves (ASV/RCVs)

SWG Action: Developing ASV/RCV policy/procedure

Key Provisions and SWG Actions

3. Excess Flow Valves

SWG Action: Expanding use of larger EFVs

4. Expansion of Transmission Integrity Management

SWG Action: Piloting conventional and robotic inspection assessments

5. Public Awareness – Emergency responders' access to national mapping system

SWG Action: Developing guidelines for emergency responders for accessing national mapping system

Summary

- Public safety is paramount
 - 24/7 constant and never ending
- Protection of life and property woven into practices and procedures
- Proactive measures to meet current and future legislative mandates
- Continued communication improvements
- Optimize system reinforcements to meet customer demands
- Safety, service, and reliability

Southwest Gas Corporation

2012-2013 Winter Preparedness

Randy Gabe

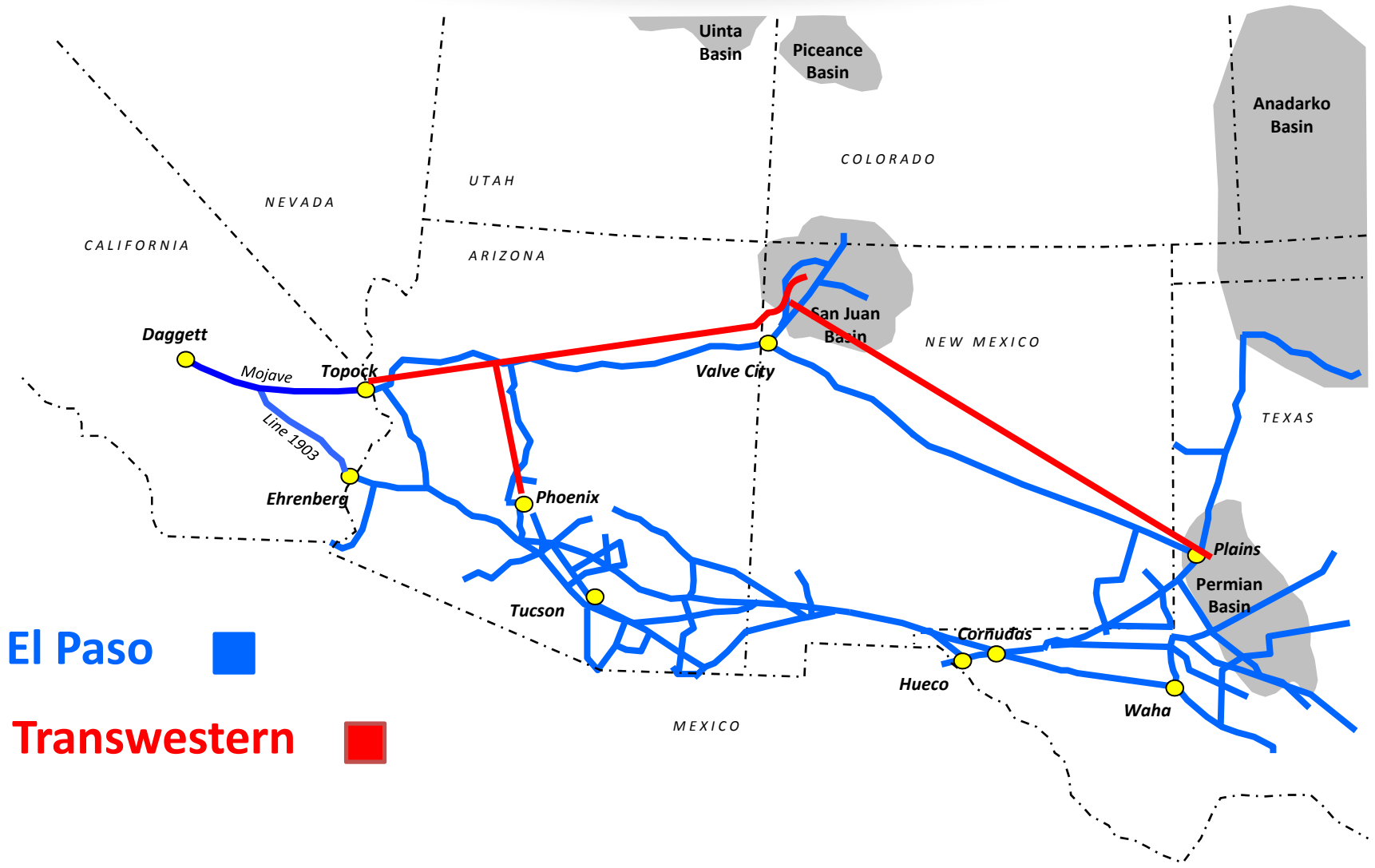
Vice President/Gas Resources

October 4, 2012



2012-2013 Gas Supply

- Interstate Capacity
- Supply Portfolio Structure
- Trends in the Natural Gas Market
- Customer Rates



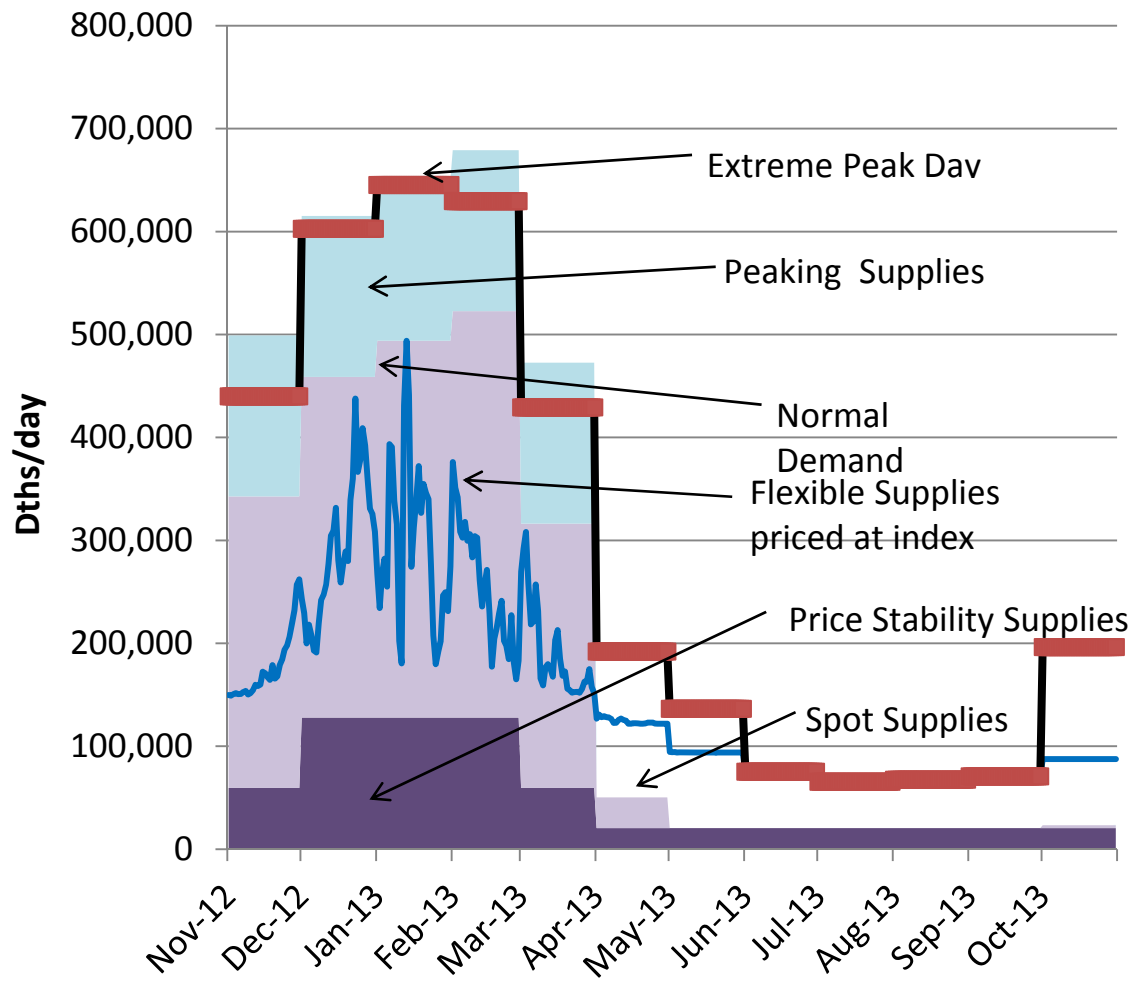
El Paso ■

Transwestern ■

2012-2013 Portfolio Summary

- Firm contracts for both capacity and gas supply to meet design peak day
- 33% of normal load purchased at fixed price
 - Purchased 6 to 18 months in advance
 - Go to market every 4 to 6 weeks
- Remainder is firm market index contracts
- Capacity purchase as a result of new February peak day
- 2012/2013 portfolio complete

Arizona Supply Demand Balance



Market Pricing Trends

- Lack of winter weather kept storage levels high
- Gas demands increased this summer
- Natural gas displaced coal
- Robust gas supply
- Shale gas is significant
- Market flat

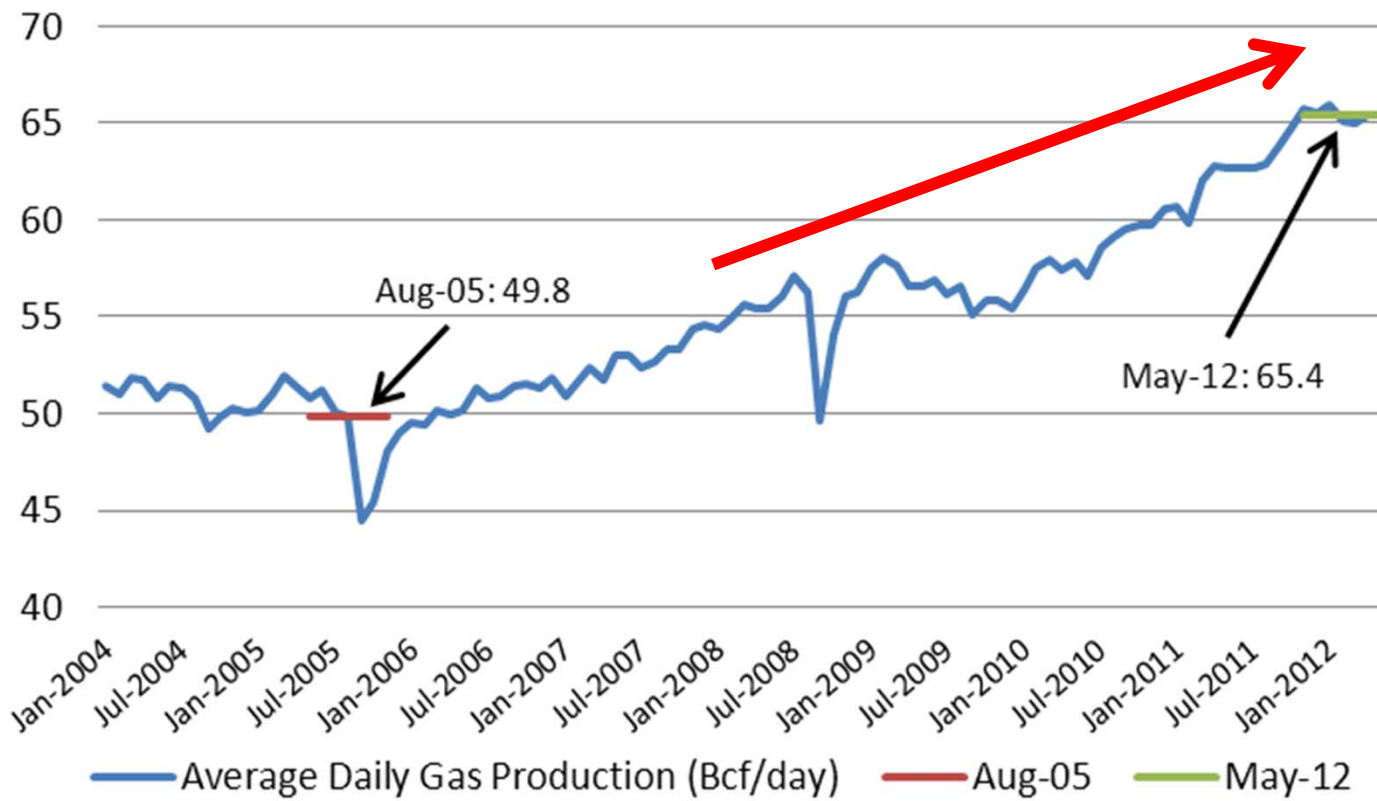


Gas Drilling Rigs Declining



Updated through August 24, 2012

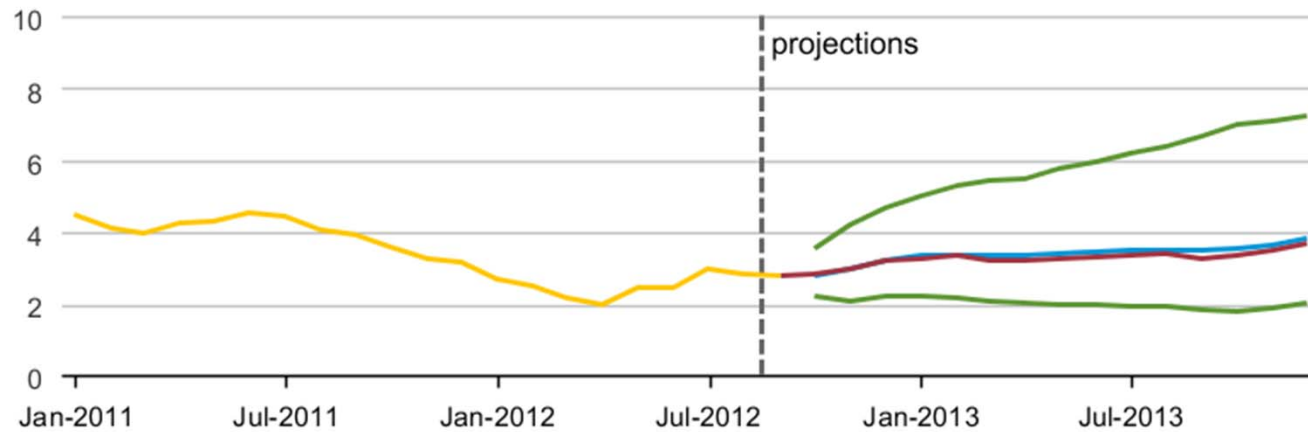
Average Daily Gas Production (Bcf/day) 2004 - May 2012



Source: EIA

Henry Hub Natural Gas Price

(dollars per million Btu)



- Historical spot price
- STEO forecast price
- NYMEX futures price
- 95% NYMEX futures upper confidence interval
- 95% NYMEX futures lower confidence interval



Source: Short-Term Energy Outlook, September 2012

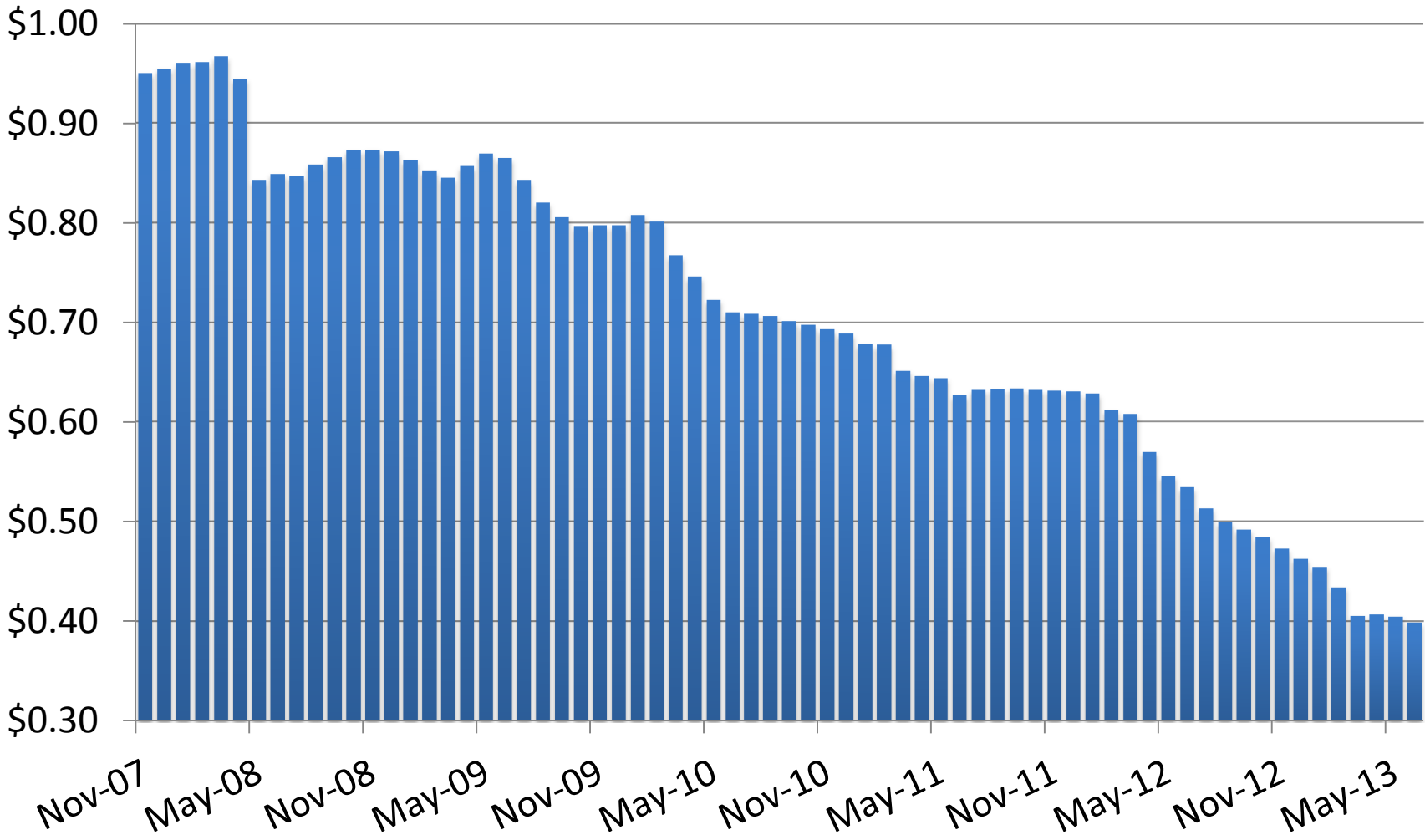
Note: Confidence interval derived from options market information for the 5 trading days ending September 6, 2012. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Arizona Price Stability Program

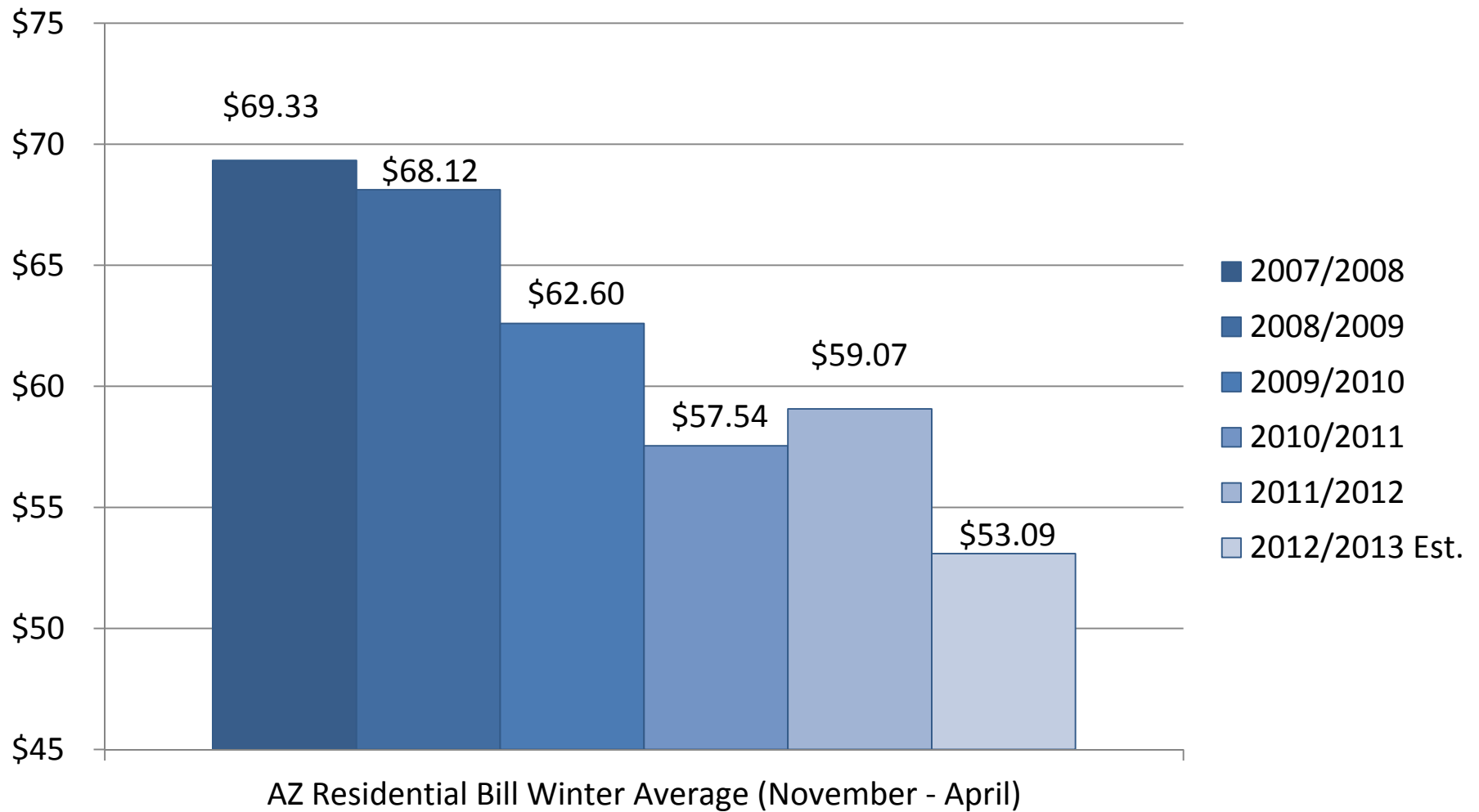
	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013
Winter (\$/Dth)	8.78	6.53	6.02	5.07	3.99
2012/2013 Winter Strip Price*					3.25

*NYMEX-San Juan basin as of 9/24/2012

Monthly Gas Cost Rate



Average Winter Bill





SOUTHWEST GAS

Questions?